

[Committee Print]

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Showing the Text of H.R. 10 As Reported by the Subcommittee on Finance and Hazardous Materials

1 **SECTION 1. SHORT TITLE; PURPOSES; TABLE OF CON-**
2 **TENTS.**

3 (a) SHORT TITLE.—This Act may be cited as the
4 “Financial Services Act of 1999”.

5 (b) PURPOSES.—The purposes of this Act are as fol-
6 lows:

7 (1) To enhance competition in the financial
8 services industry, in order to foster innovation and
9 efficiency.

10 (2) To ensure the continued safety and sound-
11 ness of depository institutions.

12 (3) To provide necessary and appropriate pro-
13 tections for investors and ensure fair and honest
14 markets in the delivery of financial services.

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1 (4) To avoid duplicative, potentially conflicting,
2 and overly burdensome regulatory requirements
3 through the creation of a regulatory framework for
4 financial holding companies that respects the diver-
5 gent requirements of each of the component busi-
6 nesses of the holding company, and that is based
7 upon principles of strong functional regulation and
8 enhanced regulatory coordination.

9 (5) To reduce and, to the maximum extent
10 practicable, to eliminate the legal barriers preventing
11 affiliation among depository institutions, securities
12 firms, insurance companies, and other financial serv-
13 ice providers and to provide a prudential framework
14 for achieving that result.

15 (6) To enhance the availability of financial serv-
16 ices to citizens of all economic circumstances and in
17 all geographic areas.

18 (7) To enhance the competitiveness of United
19 States financial service providers internationally.

20 (8) To ensure compliance by depository institu-
21 tions with the provisions of the Community Rein-
22 vestment Act of 1977 and enhance the ability of de-
23 pository institutions to meet the capital and credit
24 needs of all citizens and communities, including un-
25 derserved communities and populations.

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1 (c) TABLE OF CONTENTS.—The table of contents for
2 this Act is as follows:

Sec. 1. Short title; purposes; table of contents.

TITLE I—FACILITATING AFFILIATION AMONG SECURITIES FIRMS,
INSURANCE COMPANIES, AND DEPOSITORY INSTITUTIONS

Subtitle A—Affiliations

- Sec. 101. Glass-Steagall Act reformed.
- Sec. 102. Activity restrictions applicable to bank holding companies which are not financial holding companies.
- Sec. 103. Financial holding companies.
- Sec. 104. Operation of State law.
- Sec. 105. Mutual bank holding companies authorized.
- Sec. 105A. Public meetings for large bank acquisitions and mergers.
- Sec. 106. Prohibition on deposit production offices.
- Sec. 107. Clarification of branch closure requirements.
- Sec. 108. Amendments relating to limited purpose banks.
- Sec. 109. GAO study of economic impact on community banks, other small financial institutions, insurance agents, and consumers.

Subtitle B—Streamlining Supervision of Financial Holding Companies

- Sec. 111. Streamlining financial holding company supervision.
- Sec. 112. Elimination of application requirement for financial holding companies.
- Sec. 113. Authority of State insurance regulator and Securities and Exchange Commission.
- Sec. 114. Prudential safeguards.
- Sec. 115. Examination of investment companies.
- Sec. 116. Limitation on rulemaking, prudential, supervisory, and enforcement authority of the Board.
- Sec. 117. Equivalent regulation and supervision.
- Sec. 118. Prohibition on FDIC assistance to affiliates and subsidiaries.
- Sec. 119. Repeal of savings bank provisions in the Bank Holding Company Act of 1956.
- Sec. 120. Technical amendment.

Subtitle C—Subsidiaries of National Banks

- Sec. 121. Permissible activities for subsidiaries of national banks.
- Sec. 122. Misrepresentations regarding depository institution liability for obligations of affiliates.
- Sec. 123. Repeal of stock loan limit in Federal Reserve Act.

Subtitle D—Wholesale Financial Holding Companies; Wholesale Financial
Institutions

CHAPTER 1—WHOLESALE FINANCIAL HOLDING COMPANIES

- Sec. 131. Wholesale financial holding companies established.
- Sec. 132. Authorization to release reports.
- Sec. 133. Conforming amendments.

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CHAPTER 2—WHOLESALE FINANCIAL INSTITUTIONS

Sec. 136. Wholesale financial institutions.

Subtitle E—Preservation of FTC Authority

Sec. 141. Amendment to the Bank Holding Company Act of 1956 to modify notification and post-approval waiting period for section 3 transactions.

Sec. 142. Interagency data sharing.

Sec. 143. Clarification of status of subsidiaries and affiliates.

Sec. 144. Annual GAO report.

Subtitle F—National Treatment

Sec. 151. Foreign banks that are financial holding companies.

Sec. 152. Foreign banks and foreign financial institutions that are wholesale financial institutions.

Sec. 153. Reciprocity.

Subtitle G—Federal Home Loan Bank System Modernization

Sec. 161. Short title.

Sec. 162. Definitions.

Sec. 163. Savings association membership.

Sec. 164. Advances to members; collateral.

Sec. 165. Eligibility criteria.

Sec. 166. Management of banks.

Sec. 167. Resolution Funding Corporation.

Sec. 168. Capital structure of Federal home loan banks.

Subtitle H—ATM Fee Reform

Sec. 171. Short title.

Sec. 172. Electronic fund transfer fee disclosures at any host ATM.

Sec. 173. Disclosure of possible fees to consumers when ATM card is issued.

Sec. 174. Feasibility study.

Sec. 175. No liability if posted notices are damaged.

Sec. 176. Effective date.

Subtitle I—Direct Activities of Banks

Sec. 181. Authority of national banks to underwrite certain municipal bonds.

Subtitle J—Deposit Insurance Funds

Sec. 186. Study of safety and soundness of funds.

Sec. 187. Elimination of SAIF and DIF special reserves.

Subtitle K—Miscellaneous Provisions

Sec. 191. Termination of “Know Your Customer” regulations.

Sec. 192. Clarification of source of strength doctrine.

Sec. 193. Study and report on adapting existing legislative requirements to on-line banking and lending.

TITLE II—FUNCTIONAL REGULATION

Subtitle A—Brokers and Dealers

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- Sec. 201. Definition of broker.
- Sec. 202. Definition of dealer.
- Sec. 203. Registration for sales of private securities offerings.
- Sec. 204. Information sharing.
- Sec. 205. Treatment of new hybrid products.
- Sec. 206. Additional definitions.
- Sec. 207. Government securities defined.
- Sec. 208. Effective date.
- Sec. 209. Rule of construction.

Subtitle B—Bank Investment Company Activities

- Sec. 211. Custody of investment company assets by affiliated bank.
- Sec. 212. Lending to an affiliated investment company.
- Sec. 213. Independent directors.
- Sec. 214. Additional SEC disclosure authority.
- Sec. 215. Definition of broker under the Investment Company Act of 1940.
- Sec. 216. Definition of dealer under the Investment Company Act of 1940.
- Sec. 217. Removal of the exclusion from the definition of investment adviser for banks that advise investment companies.
- Sec. 218. Definition of broker under the Investment Advisers Act of 1940.
- Sec. 219. Definition of dealer under the Investment Advisers Act of 1940.
- Sec. 220. Interagency consultation.
- Sec. 221. Treatment of bank common trust funds.
- Sec. 222. Investment advisers prohibited from having controlling interest in registered investment company.
- Sec. 223. Statutory disqualification for bank wrongdoing.
- Sec. 224. Conforming change in definition.
- Sec. 225. Conforming amendment.
- Sec. 226. Effective date.

Subtitle C—Securities and Exchange Commission Supervision of Investment Bank Holding Companies

- Sec. 231. Supervision of investment bank holding companies by the Securities and Exchange Commission.

Subtitle D—Disclosure of Customer Costs of Acquiring Financial Products

- Sec. 241. Improved and consistent disclosure.

TITLE III—INSURANCE

Subtitle A—State Regulation of Insurance

- Sec. 301. State regulation of the business of insurance.
- Sec. 302. Mandatory insurance licensing requirements.
- Sec. 303. Functional regulation of insurance.
- Sec. 304. Insurance underwriting in national banks.
- Sec. 305. Title insurance activities of national banks and their affiliates.
- Sec. 306. Expedited and equalized dispute resolution for Federal regulators.
- Sec. 307. Consumer protection regulations.
- Sec. 308. Certain State affiliation laws preempted for insurance companies and affiliates.
- Sec. 309. Interagency consultation.
- Sec. 310. Definition of State.

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Subtitle B—Redomestication of Mutual Insurers

- Sec. 311. General application.
- Sec. 312. Redomestication of mutual insurers.
- Sec. 313. Effect on State laws restricting redomestication.
- Sec. 314. Other provisions.
- Sec. 15. Definitions.
- Sec. 316. Effective date.

Subtitle C—National Association of Registered Agents and Brokers

- Sec. 321. State flexibility in multistate licensing reforms.
- Sec. 322. National association of registered agents and brokers.
- Sec. 323. Purpose.
- Sec. 324. Relationship to the Federal Government.
- Sec. 325. Membership.
- Sec. 326. Board of directors.
- Sec. 327. Officers.
- Sec. 328. Bylaws, rules, and disciplinary action.
- Sec. 329. Assessments.
- Sec. 330. Functions of the NAIC.
- Sec. 331. Liability of the Association and the directors, officers, and employees of the Association.
- Sec. 332. Elimination of NAIC oversight.
- Sec. 333. Relationship to State law.
- Sec. 334. Coordination with other regulators.
- Sec. 335. Judicial review.
- Sec. 336. Definitions.

Subtitle D—Rental Car Agency Insurance Activities

- Sec. 341. Standard of regulation for motor vehicle rentals.

TITLE IV—UNITARY SAVINGS AND LOAN HOLDING COMPANIES

- Sec. 401. Prohibition on new unitary savings and loan holding companies.
- Sec. 402. Retention of “Federal” in name of converted Federal savings association.

TITLE V—PRIVACY OF CONSUMER INFORMATION

Subtitle A—Disclosure of Nonpublic Personal Information

- Sec. 501. Obligations with respect to personal information.
- Sec. 502. Notice concerning divulging information.
- Sec. 503. Enforcement.
- Sec. 505. Definitions.
- Sec. 506. Effective date.

Subtitle B—Fraudulent Access to Financial Information

- Sec. 521. Privacy protection for customer information of financial institutions.
- Sec. 522. Administrative enforcement.
- Sec. 523. Criminal penalty.
- Sec. 524. Relation to State laws.
- Sec. 525. Agency guidance.
- Sec. 526. Reports.
- Sec. 527. Definitions.

1 **TITLE I—FACILITATING AFFILI-**
2 **ATION AMONG SECURITIES**
3 **FIRMS, INSURANCE COMPA-**
4 **NIES, AND DEPOSITORY IN-**
5 **STITUTIONS**

6 **Subtitle A—Affiliations**

7 **SEC. 101. GLASS-STEAGALL ACT REFORMED.**

8 (a) SECTION 20 REPEALED.—Section 20 of the
9 Banking Act of 1933 (12 U.S.C. 377) (commonly referred
10 to as the “Glass-Steagall Act”) is repealed.

11 (b) SECTION 32 REPEALED.—Section 32 of the
12 Banking Act of 1933 (12 U.S.C. 78) is repealed.

13 **SEC. 102. ACTIVITY RESTRICTIONS APPLICABLE TO BANK**
14 **HOLDING COMPANIES WHICH ARE NOT FI-**
15 **NANCIAL HOLDING COMPANIES.**

16 (a) IN GENERAL.—Section 4(c)(8) of the Bank Hold-
17 ing Company Act of 1956 (12 U.S.C. 1843(c)(8)) is
18 amended to read as follows:

19 “(8) shares of any company the activities of
20 which had been determined by the Board by regula-
21 tion or order under this paragraph as of the day be-
22 fore the date of the enactment of the Financial Serv-
23 ices Act of 1999, to be so closely related to banking
24 as to be a proper incident thereto (subject to such

1 terms and conditions contained in such regulation or
2 order, unless modified by the Board);”.

3 (b) CONFORMING CHANGES TO OTHER STATUTES.—

4 (1) AMENDMENT TO THE BANK HOLDING COM-
5 PANY ACT AMENDMENTS OF 1970.—Section 105 of
6 the Bank Holding Company Act Amendments of
7 1970 (12 U.S.C. 1850) is amended by striking “, to
8 engage directly or indirectly in a nonbanking activity
9 pursuant to section 4 of such Act,”.

10 (2) AMENDMENT TO THE BANK SERVICE COM-
11 PANY ACT.—Section 4(f) of the Bank Service Com-
12 pany Act (12 U.S.C. 1864(f)) is amended by strik-
13 ing the period and adding at the end the following:
14 “as of the day before the date of enactment of the
15 Financial Services Act of 1999.”.

16 **SEC. 103. FINANCIAL HOLDING COMPANIES.**

17 (a) IN GENERAL.—The Bank Holding Company Act
18 of 1956 is amended by inserting after section 5 (12 U.S.C.
19 1844) the following new section:

20 **“SEC. 6. FINANCIAL HOLDING COMPANIES.**

21 **“(a) FINANCIAL HOLDING COMPANY DEFINED.—**
22 **For purposes of this section, the term ‘financial holding**
23 **company’ means a bank holding company which meets the**
24 **requirements of subsection (b).**

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1 “(b) ELIGIBILITY REQUIREMENTS FOR FINANCIAL
2 HOLDING COMPANIES.—

3 “(1) IN GENERAL.—No bank holding company
4 may engage in any activity or directly or indirectly
5 acquire or retain shares of any company under this
6 section unless the bank holding company meets the
7 following requirements:

8 “(A) All of the subsidiary depository insti-
9 tutions of the bank holding company are well
10 capitalized.

11 “(B) All of the subsidiary depository insti-
12 tutions of the bank holding company are well
13 managed.

14 “(C) All of the subsidiary depository insti-
15 tutions of the bank holding company have
16 achieved a rating, under the Community Rein-
17 vestment Act of 1977, of ‘satisfactory record of
18 meeting community credit needs’, or better, at
19 the most recent examination of each such insti-
20 tution;

21 “(D) The company has filed with the
22 Board a declaration that the company elects to
23 be a financial holding company and certifying
24 that the company meets the requirements of
25 subparagraphs (A), (B), and (C).

1 “(2) FOREIGN BANKS AND COMPANIES.—For
2 purposes of paragraph (1), the Board shall establish
3 and apply comparable capital and other operating
4 standards to a foreign bank that operates a branch
5 or agency or owns or controls a bank or commercial
6 lending company in the United States, and any com-
7 pany that owns or controls such foreign bank, giving
8 due regard to the principle of national treatment
9 and equality of competitive opportunity.

10 “(3) LIMITED EXCLUSIONS FROM COMMUNITY
11 NEEDS REQUIREMENTS FOR NEWLY ACQUIRED DE-
12 POSITORY INSTITUTIONS.—

13 “(A) IN GENERAL.—If the requirements of
14 subparagraph (B) are met, any depository insti-
15 tution acquired by a bank holding company
16 during the 24-month period preceding the sub-
17 mission of a declaration under paragraph
18 (1)(D) and any depository institution acquired
19 after the submission of such declaration may be
20 excluded for purposes of paragraph (1)(C) until
21 the later of—

22 “(i) the end of the 24-month period
23 beginning on the date the acquisition of
24 the depository institution by such company
25 is consummated; or

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1 “(ii) the date of completion of the
2 first examination of such depository insti-
3 tution under the Community Reinvestment
4 Act of 1977 which is conducted after the
5 date of the acquisition of the depository in-
6 stitution.

7 “(B) REQUIREMENTS.—The requirements
8 of this subparagraph are met with respect to
9 any bank holding company referred to in sub-
10 paragraph (A) if—

11 “(i) the bank holding company has
12 submitted an affirmative plan to the ap-
13 propriate Federal banking agency to take
14 such action as may be necessary in order
15 for such institution to achieve a rating of
16 ‘satisfactory record of meeting community
17 credit needs’, or better, at the next exam-
18 ination of the institution; and

19 “(ii) the plan has been approved by
20 such agency.

21 “(c) ENGAGING IN ACTIVITIES THAT ARE FINANCIAL
22 IN NATURE.—

23 “(1) FINANCIAL ACTIVITIES.—Notwithstanding
24 section 4(a), a financial holding company and a
25 wholesale financial holding company may engage in

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1 any activity, and acquire and retain the shares of
2 any company engaged in any activity, that the
3 Board has determined (by regulation or order) to
4 be—

5 “(A) financial in nature or incidental to
6 such financial activities; or

7 “(B) complementary to activities that have
8 been determined to be financial in nature under
9 this subsection to the extent that the amount of
10 such complementary activities remains small in
11 relation to the authorized activities to which
12 they are complementary.

13 “(2) FACTORS TO BE CONSIDERED.—In deter-
14 mining whether an activity is financial in nature or
15 incidental to financial activities, the Board shall take
16 into account—

17 “(A) the purposes of this Act and the Fi-
18 nancial Services Act of 1999;

19 “(B) changes or reasonably expected
20 changes in the marketplace in which bank hold-
21 ing companies compete;

22 “(C) changes or reasonably expected
23 changes in the technology for delivering finan-
24 cial services; and

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1 “(D) whether such activity is necessary or
2 appropriate to allow a bank holding company
3 and the affiliates of a bank holding company
4 to—

5 “(i) compete effectively with any com-
6 pany seeking to provide financial services
7 in the United States;

8 “(ii) use any available or emerging
9 technological means, including any applica-
10 tion necessary to protect the security or ef-
11 ficacy of systems for the transmission of
12 data or financial transactions, in providing
13 financial services; and

14 “(iii) offer customers any available or
15 emerging technological means for using fi-
16 nancial services.

17 “(3) ACTIVITIES THAT ARE FINANCIAL IN NA-
18 TURE.—The following activities shall be considered
19 to be financial in nature:

20 “(A) Lending, exchanging, transferring, in-
21 vesting for others, or safeguarding money or se-
22 curities.

23 “(B) Insuring, guaranteeing, or indem-
24 nifying against loss, harm, damage, illness, dis-
25 ability, or death, or providing and issuing annu-

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1 ities, and acting as principal, agent, or broker
2 for purposes of the foregoing.

3 “(C) Providing financial, investment, or
4 economic advisory services, including advising
5 an investment company (as defined in section 3
6 of the Investment Company Act of 1940).

7 “(D) Issuing or selling instruments rep-
8 resenting interests in pools of assets permissible
9 for a bank to hold directly.

10 “(E) Underwriting, dealing in, or making
11 a market in securities.

12 “(F) Engaging in any activity that the
13 Board has determined, by order or regulation
14 that is in effect on the date of enactment of the
15 Financial Services Act of 1999, to be so closely
16 related to banking or managing or controlling
17 banks as to be a proper incident thereto (sub-
18 ject to the same terms and conditions contained
19 in such order or regulation, as modified by the
20 Board).

21 “(G) Engaging, in the United States, in
22 any activity that—

23 “(i) a bank holding company may en-
24 gage in outside the United States; and

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1 “(ii) the Board has determined, under
2 regulations issued pursuant to section
3 4(c)(13) of this Act (as in effect on the
4 day before the date of enactment of the Fi-
5 nancial Services Act of 1999) to be usual
6 in connection with the transaction of bank-
7 ing or other financial operations abroad.

8 “(H) Directly or indirectly acquiring or
9 controlling, whether as principal, on behalf of 1
10 or more entities (including entities, other than
11 a depository institution or subsidiary of a de-
12 pository institution, that the bank holding com-
13 pany controls) or otherwise, shares, assets, or
14 ownership interests (including without limita-
15 tion debt or equity securities, partnership inter-
16 ests, trust certificates or other instruments rep-
17 resenting ownership) of a company or other en-
18 tity, whether or not constituting control of such
19 company or entity, engaged in any activity not
20 authorized pursuant to this section if—

21 “(i) the shares, assets, or ownership
22 interests are not acquired or held by a de-
23 pository institution or subsidiary of a de-
24 pository institution;

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1 “(ii) such shares, assets, or ownership
2 interests are acquired and held by an affil-
3 iate of the bank holding company that is a
4 registered broker or dealer that is engaged
5 in securities underwriting activities, or an
6 affiliate of such broker or dealer, as part
7 of a bona fide underwriting or investment
8 banking activity, including investment ac-
9 tivities engaged in for the purpose of ap-
10 preciation and ultimate resale or disposi-
11 tion of the investment;

12 “(iii) such shares, assets, or owner-
13 ship interests are held only for such a pe-
14 riod of time as will permit the sale or dis-
15 position thereof on a reasonable basis con-
16 sistent with the nature of the activities de-
17 scribed in clause (ii); and

18 “(iv) during the period such shares,
19 assets, or ownership interests are held, the
20 bank holding company does not actively
21 participate in the day to day management
22 or operation of such company or entity, ex-
23 cept insofar as necessary to achieve the ob-
24 jectives of clause (ii).

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1 “(I) Directly or indirectly acquiring or con-
2 trolling, whether as principal, on behalf of 1 or
3 more entities (including entities, other than a
4 depository institution or subsidiary of a deposi-
5 tory institution, that the bank holding company
6 controls) or otherwise, shares, assets, or owner-
7 ship interests (including without limitation debt
8 or equity securities, partnership interests, trust
9 certificates or other instruments representing
10 ownership) of a company or other entity, wheth-
11 er or not constituting control of such company
12 or entity, engaged in any activity not authorized
13 pursuant to this section if—

14 “(i) the shares, assets, or ownership
15 interests are not acquired or held by a de-
16 pository institution or a subsidiary of a de-
17 pository institution;

18 “(ii) such shares, assets, or ownership
19 interests are acquired and held by an in-
20 surance company that is predominantly en-
21 gaged in underwriting life, accident and
22 health, or property and casualty insurance
23 (other than credit-related insurance) or
24 providing and issuing annuities;

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1 “(iii) such shares, assets, or owner-
2 ship interests represent an investment
3 made in the ordinary course of business of
4 such insurance company in accordance
5 with relevant State law governing such in-
6 vestments; and

7 “(iv) during the period such shares,
8 assets, or ownership interests are held, the
9 bank holding company does not directly or
10 indirectly participate in the day-to-day
11 management or operation of the company
12 or entity except insofar as necessary to
13 achieve the objectives of clauses (ii) and
14 (iii).

15 “(4) AUTHORIZATION OF NEW FINANCIAL AC-
16 TIVITIES.—The Board shall, by regulation or order,
17 define, consistent with the purposes of this Act, the
18 following activities as, and the extent to which such
19 activities are, financial in nature or incidental to ac-
20 tivities which are financial in nature:

21 “(A) Lending, exchanging, transferring, in-
22 vesting for others, or safeguarding financial as-
23 sets other than money or securities.

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1 “(B) Providing any device or other instru-
2 mentality for transferring money or other finan-
3 cial assets.

4 “(C) Arranging, effecting, or facilitating fi-
5 nancial transactions for the account of third
6 parties.

7 “(5) POST-CONSUMMATION NOTIFICATION.—

8 “(A) IN GENERAL.—A financial holding
9 company and a wholesale financial holding com-
10 pany that acquires any company, or commences
11 any activity, pursuant to this subsection shall
12 provide written notice to the Board describing
13 the activity commenced or conducted by the
14 company acquired no later than 30 calendar
15 days after commencing the activity or consum-
16 mating the acquisition.

17 “(B) APPROVAL NOT REQUIRED FOR CER-
18 TAIN FINANCIAL ACTIVITIES.—Except as pro-
19 vided in section 4(j) with regard to the acquisi-
20 tion of a savings association or in paragraph
21 (6) of this subsection, a financial holding com-
22 pany and a wholesale financial holding company
23 may commence any activity, or acquire any
24 company, pursuant to paragraph (3) or any
25 regulation prescribed or order issued under

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1 paragraph (4), without prior approval of the
2 Board.

3 “(6) NOTICE REQUIRED FOR LARGE COMBINA-
4 TIONS.—

5 “(A) IN GENERAL.—No financial holding
6 company or wholesale financial holding com-
7 pany shall directly or indirectly acquire, and no
8 company that becomes a financial holding com-
9 pany or a wholesale financial holding company
10 shall directly or indirectly acquire control of,
11 any company in the United States, including
12 through merger, consolidation, or other type of
13 business combination, that—

14 “(i) is engaged in activities permitted
15 under this subsection or subsection (g);
16 and

17 “(ii) has consolidated total assets in
18 excess of \$40,000,000,000,

19 unless such holding company has provided no-
20 tice to the Board, not later than 60 days prior
21 to such proposed acquisition or prior to becom-
22 ing a financial holding company or wholesale fi-
23 nancial holding company, and during that time
24 period, or such longer time period not exceeding
25 an additional 60 days, as established by the

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1 Board, the Board has not issued a notice dis-
2 approving the proposed acquisition or retention.

3 “(B) FACTORS FOR CONSIDERATION.—In
4 reviewing any prior notice filed under this para-
5 graph, the Board shall take into
6 consideration—

7 “(i) whether the company is in com-
8 pliance with all applicable criteria set forth
9 in subsection (b) and the provisions of sub-
10 section (d);

11 “(ii) whether the proposed combina-
12 tion represents an undue aggregation of
13 resources;

14 “(iii) whether the proposed combina-
15 tion poses a risk to the deposit insurance
16 system;

17 “(iv) whether the proposed combina-
18 tion poses a risk to State insurance guar-
19 anty funds;

20 “(v) whether the proposed combina-
21 tion can reasonably be expected to be in
22 the best interests of depositors or policy-
23 holders of the respective entities;

24 “(vi) whether the proposed trans-
25 action can reasonably be expected to fur-

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1 ther the purposes of this Act and produce
2 benefits to the public; and

3 “(vii) whether, and the extent to
4 which, any subsequent failure or default of
5 the financial holding company or wholesale
6 financial holding company, or any affiliate
7 of any such company, after the proposed
8 combination could have serious adverse ef-
9 fects on economic conditions or financial
10 stability.

11 “(C) REQUIRED INFORMATION.—The
12 Board may disapprove any prior notice filed
13 under this paragraph if the company submitting
14 such notice neglects, fails, or refuses to furnish
15 to the Board all relevant information required
16 by the Board.

17 “(D) SOLICITATION OF VIEWS OF OTHER
18 SUPERVISORY AGENCIES.—

19 “(i) IN GENERAL.—Upon receiving a
20 prior notice under this paragraph, in order
21 to provide for the submission of their views
22 and recommendations, the Board shall give
23 notice of the proposal to—

24 “(I) the appropriate Federal
25 banking agency of any bank involved;

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1 “(II) the appropriate functional
2 regulator of any functionally regulated
3 nondepository institution (as defined
4 in section 5(c)(1)(C)) involved; and

5 “(III) the Secretary of the Treas-
6 ury, the Attorney General, and the
7 Federal Trade Commission.

8 “(ii) TIMING.—The views and rec-
9 ommendations of any agency provided no-
10 tice under this paragraph shall be sub-
11 mitted to the Board not later than 30 cal-
12 endar days after the date on which notice
13 to the agency was given, unless the Board
14 determines that another shorter time pe-
15 riod is appropriate.

16 “(d) PROVISIONS APPLICABLE TO FINANCIAL HOLD-
17 ING COMPANIES THAT FAIL TO MEET REQUIREMENTS.—

18 “(1) IN GENERAL.—If the Board finds that a
19 financial holding company is not in compliance with
20 the requirements of subparagraph (A), (B), or (C)
21 of subsection (b)(1), the Board shall give notice of
22 such finding to the company.

23 “(2) AGREEMENT TO CORRECT CONDITIONS RE-
24 QUIRED.—Within 45 days of receipt by a financial
25 holding company of a notice given under paragraph

1 (1) (or such additional period as the Board may per-
2 mit), the company shall execute an agreement ac-
3 ceptable to the Board to comply with the require-
4 ments applicable to a financial holding company.

5 “(3) BOARD MAY IMPOSE LIMITATIONS.—Until
6 the conditions described in a notice to a financial
7 holding company under paragraph (1) are corrected,
8 the Board may impose such limitations on the con-
9 duct or activities of the company or any affiliate of
10 the company as the Board determines to be appro-
11 priate under the circumstances.

12 “(4) FAILURE TO CORRECT.—If, after receiving
13 a notice under paragraph (1), a financial holding
14 company does not—

15 “(A) execute and implement an agreement
16 in accordance with paragraph (2);

17 “(B) comply with any limitations imposed
18 under paragraph (3);

19 “(C) in the case of a notice of failure to
20 comply with subsection (b)(1)(A), restore each
21 depository institution subsidiary to well capital-
22 ized status before the end of the 180-day period
23 beginning on the date such notice is received by
24 the company (or such other period permitted by
25 the Board); or

1 “(D) in the case of a notice of failure to
2 comply with subparagraph (B) or (C) of sub-
3 section (b)(1), restore compliance with any such
4 subparagraph by the date the next examination
5 of the depository institution subsidiary is com-
6 pleted or by the end of such other period as the
7 Board determines to be appropriate,
8 the Board may require such company, under such
9 terms and conditions as may be imposed by the
10 Board and subject to such extension of time as may
11 be granted in the Board’s discretion, to divest con-
12 trol of any depository institution subsidiary or, at
13 the election of the financial holding company, in-
14 stead to cease to engage in any activity conducted by
15 such company or its subsidiaries pursuant to this
16 section.

17 “(5) CONSULTATION.—In taking any action
18 under this subsection, the Board shall consult with
19 all relevant Federal and State regulatory agencies.

20 “(e) SAFEGUARDS FOR BANK SUBSIDIARIES.—A fi-
21 nancial holding company shall assure that—

22 “(1) the procedures of the holding company for
23 identifying and managing financial and operational
24 risks within the company, and the subsidiaries of
25 such company, adequately protect the subsidiaries of

1 such company which are insured depository institu-
2 tions from such risks;

3 “(2) the holding company has reasonable poli-
4 cies and procedures to preserve the separate cor-
5 porate identity and limited liability of such company
6 and the subsidiaries of such company, for the pro-
7 tection of the company’s subsidiary insured deposi-
8 tory institutions; and

9 “(3) the holding company complies with this
10 section.

11 “(f) AUTHORITY TO RETAIN LIMITED NON-
12 FINANCIAL ACTIVITIES AND AFFILIATIONS.—

13 “(1) IN GENERAL.—Notwithstanding section
14 4(a), a company that is not a bank holding company
15 or a foreign bank (as defined in section 1(b)(7) of
16 the International Banking Act of 1978) and becomes
17 a financial holding company after the date of the en-
18 actment of the Financial Services Act of 1999 may
19 continue to engage in any activity and retain direct
20 or indirect ownership or control of shares of a com-
21 pany engaged in any activity if—

22 “(A) the holding company lawfully was en-
23 gaged in the activity or held the shares of such
24 company on September 30, 1997;

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1 “(B) the holding company is predomi-
2 nantly engaged in financial activities as defined
3 in paragraph (2); and

4 “(C) the company engaged in such activity
5 continues to engage only in the same activities
6 that such company conducted on September 30,
7 1997, and other activities permissible under
8 this Act.

9 “(2) PREDOMINANTLY FINANCIAL.—For pur-
10 poses of this subsection, a company is predominantly
11 engaged in financial activities if the annual gross
12 revenues derived by the holding company and all
13 subsidiaries of the holding company (excluding reve-
14 nues derived from subsidiary depository institu-
15 tions), on a consolidated basis, from engaging in ac-
16 tivities that are financial in nature or are incidental
17 to activities that are financial in nature under sub-
18 section (c) represent at least 85 percent of the con-
19 solidated annual gross revenues of the company.

20 “(3) NO EXPANSION OF GRANDFATHERED COM-
21 MERCIAL ACTIVITIES THROUGH MERGER OR CON-
22 SOLIDATION.—A financial holding company that en-
23 gages in activities or holds shares pursuant to this
24 subsection, or a subsidiary of such financial holding
25 company, may not acquire, in any merger, consolida-

1 tion, or other type of business combination, assets of
2 any other company which is engaged in any activity
3 which the Board has not determined to be financial
4 in nature or incidental to activities that are financial
5 in nature under subsection (c).

6 “(4) CONTINUING REVENUE LIMITATION ON
7 GRANDFATHERED COMMERCIAL ACTIVITIES.—Not-
8 withstanding any other provision of this subsection,
9 a financial holding company may continue to engage
10 in activities or hold shares in companies pursuant to
11 this subsection only to the extent that the aggregate
12 annual gross revenues derived from all such activi-
13 ties and all such companies does not exceed 15 per-
14 cent of the consolidated annual gross revenues of the
15 financial holding company (excluding revenues de-
16 rived from subsidiary depository institutions).

17 “(5) CROSS MARKETING RESTRICTIONS APPLI-
18 CABLE TO COMMERCIAL ACTIVITIES.—A depository
19 institution controlled by a financial holding company
20 shall not—

21 “(A) offer or market, directly or through
22 any arrangement, any product or service of a
23 company whose activities are conducted or
24 whose shares are owned or controlled by the fi-
25 nancial holding company pursuant to this sub-

1 section or subparagraph (H) or (I) of sub-
2 section (c)(3); or

3 “(B) permit any of its products or services
4 to be offered or marketed, directly or through
5 any arrangement, by or through any company
6 described in subparagraph (A).

7 “(6) TRANSACTIONS WITH NONFINANCIAL AF-
8 FILIATES.—An insured depository institution con-
9 trolled by a financial holding company or wholesale
10 financial holding company may not engage in a cov-
11 ered transaction (as defined by section 23A(b)(7) of
12 the Federal Reserve Act) with any affiliate con-
13 trolled by the company pursuant to section 10(c),
14 this subsection, or subparagraph (H) or (I) of sub-
15 section (c)(3).

16 “(7) SUNSET OF GRANDFATHER.—A financial
17 holding company engaged in any activity, or retain-
18 ing direct or indirect ownership or control of shares
19 of a company, pursuant to this subsection, shall ter-
20minate such activity and divest ownership or control
21 of the shares of such company before the end of the
22 10-year period beginning on the date of the enact-
23 ment of the Financial Services Act of 1999. The
24 Board may, upon application by a financial holding
25 company, extend such 10-year period by a period not

1 to exceed an additional 5 years if such extension
2 would not be detrimental to the public interest.

3 “(g) DEVELOPING ACTIVITIES.—A financial holding
4 company and a wholesale financial holding company may
5 engage directly or indirectly, or acquire shares of any com-
6 pany engaged, in any activity that the Board has not de-
7 termined to be financial in nature or incidental to financial
8 activities under subsection (c) if—

9 “(1) the holding company reasonably concludes
10 that the activity is financial in nature or incidental
11 to financial activities;

12 “(2) the gross revenues from all activities con-
13 ducted under this subsection represent less than 5
14 percent of the consolidated gross revenues of the
15 holding company;

16 “(3) the aggregate total assets of all companies
17 the shares of which are held under this subsection
18 do not exceed 5 percent of the holding company’s
19 consolidated total assets;

20 “(4) the total capital invested in activities con-
21 ducted under this subsection represents less than 5
22 percent of the consolidated total capital of the hold-
23 ing company;

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1 “(5) the Board has not determined that the ac-
2 tivity is not financial in nature or incidental to fi-
3 nancial activities under subsection (c);

4 “(6) the holding company is not required to
5 provide prior written notice of the transaction to the
6 Board under subsection (c)(6); and

7 “(7) the holding company provides written noti-
8 fication to the Board describing the activity com-
9 menced or conducted by the company acquired no
10 later than 10 business days after commencing the
11 activity or consummating the acquisition.”.

12 (b) FACTORS FOR CONSIDERATION IN REVIEWING
13 APPLICATION BY FINANCIAL HOLDING COMPANY TO AC-
14 QUIRE BANK.—Section 3(c) of the Bank Holding Com-
15 pany Act of 1956 (12 U.S.C. 1842(c)) is amended by add-
16 ing at the end the following new paragraph:

17 “(6) ‘TOO BIG TO FAIL’ FACTOR.—In consid-
18 ering an acquisition, merger, or consolidation under
19 this section involving a financial holding company, a
20 wholesale financial holding company, or a company
21 that would be any such holding company upon the
22 consummation of the transaction, the Board shall
23 consider whether, and the extent to which, any sub-
24 sequent failure or default of the financial holding
25 company or wholesale financial holding company, or

1 any affiliate of any such company, after the con-
2 summation of the transaction could have serious ad-
3 verse effects on economic conditions or financial sta-
4 bility.”.

5 (c) TECHNICAL AND CONFORMING AMENDMENTS.—

6 (1) Section 2 of the Bank Holding Company
7 Act of 1956 (12 U.S.C. 1841) is amended by adding
8 at the end the following new subsection:

9 “(p) INSURANCE COMPANY.—For purposes of sec-
10 tions 5, 6, and 10, the term ‘insurance company’ includes
11 any person engaged in the business of insurance.”.

12 (2) Section 4(j) of the Bank Holding Company
13 Act of 1956 (12 U.S.C. 1843(j)) is amended—

14 (1) in paragraph (1)(A), by inserting “or in any
15 complementary activity under section 6(c)(1)(B)”
16 after “subsection (c)(8) or (a)(2)”; and

17 (2) in paragraph (3)—

18 (A) by inserting “, other than any com-
19plementary activity under section 6(c)(1)(B),”
20 after “to engage in any activity”; and

21 (B) by inserting “or a company engaged in
22 any complementary activity under section
23 6(c)(1)(B)” after “insured depository institu-
24 tion”.

25 (d) REPORT.—

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1 (1) IN GENERAL.—The Board of Governors of
2 the Federal Reserve System shall submit a report to
3 the Congress by the end of each of the 1st two 5-
4 year periods beginning after the date of the enact-
5 ment of this Act, containing a summary of new ac-
6 tivities which are financial in nature, including
7 grandfathered commercial activities, in which any fi-
8 nancial holding company is engaged pursuant to
9 subsection (c)(1) or (f) of section 6 of the Bank
10 Holding Company Act of 1956 (as added by sub-
11 section (a)).

12 (2) OTHER CONTENTS.—Each report submitted
13 to the Congress pursuant to paragraph (1) shall also
14 contain the following:

15 (A) A discussion of actions by the Board
16 of Governors of the Federal Reserve System,
17 whether by regulation, order, interpretation, or
18 guideline or by approval or disapproval of an
19 application, with regard to activities of financial
20 holding companies which are incidental to ac-
21 tivities financial in nature or complementary to
22 such financial activities.

23 (B) An analysis and discussion of the risks
24 posed by commercial activities of financial hold-

1 ing companies to the safety and soundness of
2 affiliate depository institutions.

3 (C) An analysis and discussion of the ef-
4 fect of mergers and acquisitions under section
5 6 of the Bank Holding Company Act of 1956
6 on market concentration in the financial serv-
7 ices industry.

8 (D) An analysis and discussion, by the
9 Board in consultation with the other Federal
10 banking agencies (as defined in section 3(z) of
11 the Federal Deposit Insurance Act), of the im-
12 pact of the implementation of this Act, and the
13 amendments made by this Act, on the extent of
14 meeting community credit needs and capital
15 availability under the Community Reinvestment
16 Act of 1977.

17 **SEC. 104. OPERATION OF STATE LAW.**

18 (a) AFFILIATIONS.—

19 (1) IN GENERAL.—Except as provided in para-
20 graph (2), no State may, by statute, regulation,
21 order, interpretation, or other action, prevent or re-
22 strict an insured depository institution or wholesale
23 financial institution, or a subsidiary or affiliate
24 thereof, from being affiliated directly or indirectly or
25 associated with any person, as authorized or per-

1 mitted by this Act or any other provision of Federal
2 law.

3 (2) INSURANCE.—With respect to affiliations
4 between insured depository institutions or wholesale
5 financial institutions, or any subsidiary or affiliate
6 thereof, and persons engaged in the business of in-
7 surance, paragraph (1) does not prohibit—

8 (A) any State from collecting information
9 as may be necessary concerning proposed acqui-
10 sitions or changes or continuations in control of
11 any person engaged in the business of insurance
12 in the State, as long as—

13 (i) the State makes reasonable efforts
14 to first collect any such information from
15 the insurance regulator of the State of
16 domicile of such person; and

17 (ii) the collection of such information
18 with regard to any such person, in the case
19 of any State other than the State of domi-
20 cile of such person, does not impede or
21 delay any such acquisition or change or
22 continuation in control; or

23 (B) in the case of a person engaged in the
24 business of insurance which is the subject of an
25 acquisition or change or continuation in control,

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1 the State of domicile of such person from re-
2 viewing or taking action (including approval or
3 disapproval) with regard to the acquisition or
4 change or continuation in control, as long as
5 the State reviews and actions—

6 (i) are completed by the end of the
7 60-day period beginning on the later of the
8 date the State received notice of the pro-
9 posed action or the date the State received
10 the information required under State law
11 regarding such acquisition or change or
12 continuation in control;

13 (ii) do not have the effect of discrimi-
14 nating, intentionally or unintentionally,
15 against an insured depository institution or
16 affiliate thereof or against any other per-
17 son based upon affiliation with an insured
18 depository institution; and

19 (iii) are based on standards or re-
20 quirements relating to solvency or manage-
21 rial fitness;

22 (C) requiring an entity that is acquiring
23 control of an entity that is engaged in the busi-
24 ness of insurance and domiciled in that State to
25 maintain or restore the capital requirements of

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1 that insurance entity to the level required under
2 the capital regulations of general applicability
3 in that State to avoid the requirement of pre-
4 paring and filing with the insurance regulatory
5 authority of that State a plan to increase the
6 capital of the entity, except that any determina-
7 tion by the State insurance regulatory authority
8 with respect to such requirement shall be made
9 not later than 60 days after the date of notifi-
10 cation under subparagraph (A);

11 (D) taking actions with respect to the re-
12 ceivership or conservatorship of any insurance
13 company; or

14 (E) restricting a change in the ownership
15 of stock in an insurance company, or a com-
16 pany formed for the purpose of controlling such
17 insurance company, for a period authorized by
18 State law but not to exceed 5 years beginning
19 on the date of the conversion of such company
20 from mutual to stock form.

21 (3) PRESERVATION OF STATE ANTITRUST AND
22 GENERAL CORPORATE LAWS.—

23 (A) IN GENERAL.—Subject to subsection
24 (c) and the nondiscrimination provisions con-
25 tained in such subsection, no provision in para-

1 graph (1) shall be construed as affecting State
2 laws, regulations, orders, interpretations, or
3 other actions of general applicability relating to
4 the governance of corporations, partnerships,
5 limited liability companies or other business as-
6 sociations incorporated or formed under the
7 laws of that State or domiciled in that State, or
8 the applicability of the antitrust laws of any
9 State or any State law that is similar to the
10 antitrust laws.

11 (B) DEFINITION.—The term “antitrust
12 laws” has the same meaning as in subsection
13 (a) of the first section of the Clayton Act, and
14 includes section 5 of the Federal Trade Com-
15 mission Act to the extent that such section 5
16 relates to unfair methods of competition.

17 (b) ACTIVITIES.—

18 (1) IN GENERAL.—Except as provided in para-
19 graph (3), and except with respect to insurance
20 sales, solicitation, and cross marketing activities,
21 which shall be governed by paragraph (2), no State
22 may, by statute, regulation, order, interpretation, or
23 other action, prevent an insured depository institu-
24 tion, wholesale financial institution, or subsidiary or
25 affiliate thereof from engaging, or significantly inter-

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1 fere with the ability of any such person to engage,
2 directly or indirectly, either by itself or in conjunc-
3 tion with a subsidiary, affiliate, or any other entity
4 or person, in any activity authorized or permitted
5 under this Act.

6 (2) INSURANCE SALES.—

7 (A) IN GENERAL.—In accordance with the
8 legal standards for preemption set forth in the
9 decision of the Supreme Court of the United
10 States in Barnett Bank of Marion County N.A.
11 v. Nelson, 517 U.S. 25 (1996), no State may,
12 by statute, regulation, order, interpretation, or
13 other action, prevent or significantly interfere
14 with the ability of an insured depository institu-
15 tion or wholesale financial institution, or a sub-
16 sidiary or affiliate thereof, to engage, directly or
17 indirectly, either by itself or in conjunction with
18 a subsidiary, affiliate, or any other party, in
19 any insurance sales, solicitation, or cross-mar-
20 keting activity.

21 (B) CERTAIN STATE LAWS PRESERVED.—

22 Notwithstanding subparagraph (A), a State
23 may impose any of the following restrictions, or
24 restrictions which are substantially the same as

1 but no more burdensome or restrictive than
2 those in each of the following clauses:

3 (i) Restrictions prohibiting the rejection
4 tion of an insurance policy solely because
5 the policy has been issued or underwritten
6 by any person who is not associated with
7 such insured depository institution or
8 wholesale financial institution, or any subsidiary
9 or affiliate thereof, when such insurance
10 is required in connection with a
11 loan or extension of credit.

12 (ii) Restrictions prohibiting a requirement
13 for any debtor, insurer, or insurance
14 agent or broker to pay a separate charge
15 in connection with the handling of insurance
16 that is required in connection with a
17 loan or other extension of credit or the
18 provision of another traditional banking
19 product, unless such charge would be required
20 when the insured depository institution
21 or wholesale financial institution, or
22 any subsidiary or affiliate thereof, is the licensed
23 insurance agent or broker providing
24 the insurance.

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1 (iii) Restrictions prohibiting the use of
2 any advertisement or other insurance pro-
3 motional material by an insured depository
4 institution or wholesale financial institu-
5 tion, or any subsidiary or affiliate thereof,
6 that would cause a reasonable person to
7 believe mistakenly that—

8 (I) a State or the Federal Gov-
9 ernment is responsible for the insur-
10 ance sales activities of, or stands be-
11 hind the credit of, the institution, af-
12 filiate, or subsidiary; or

13 (II) a State, or the Federal Gov-
14 ernment guarantees any returns on
15 insurance products, or is a source of
16 payment on any insurance obligation
17 of or sold by the institution, affiliate,
18 or subsidiary;

19 (iv) Restrictions prohibiting the pay-
20 ment or receipt of any commission or bro-
21 kerage fee or other valuable consideration
22 for services as an insurance agent or
23 broker to or by any person, unless such
24 person holds a valid State license regard-
25 ing the applicable class of insurance at the

1 time at which the services are performed,
2 except that, in this clause, the term “serv-
3 ices as an insurance agent or broker” does
4 not include a referral by an unlicensed per-
5 son of a customer or potential customer to
6 a licensed insurance agent or broker that
7 does not include a discussion of specific in-
8 surance policy terms and conditions.

9 (v) Restrictions prohibiting any com-
10 pensation paid to or received by any indi-
11 vidual who is not licensed to sell insurance,
12 for the referral of a customer that seeks to
13 purchase, or seeks an opinion or advice on,
14 any insurance product to a person that
15 sells or provides opinions or advice on such
16 product, based on the purchase of insur-
17 ance by the customer.

18 (vi) Restrictions prohibiting the re-
19 lease of the insurance information of a cus-
20 tomer (defined as information concerning
21 the premiums, terms, and conditions of in-
22 surance coverage, including expiration
23 dates and rates, and insurance claims of a
24 customer contained in the records of the
25 insured depository institution or wholesale

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1 financial institution, or a subsidiary or af-
2 filiate thereof) to any person or entity
3 other than an officer, director, employee,
4 agent, subsidiary, or affiliate of an insured
5 depository institution or a wholesale finan-
6 cial institution, for the purpose of soliciting
7 or selling insurance, without the express
8 consent of the customer, other than a pro-
9 vision that prohibits—

10 (I) a transfer of insurance infor-
11 mation to an unaffiliated insurance
12 company, agent, or broker in connec-
13 tion with transferring insurance in
14 force on existing insureds of the in-
15 sured depository institution or whole-
16 sale financial institution, or subsidiary
17 or affiliate thereof, or in connection
18 with a merger with or acquisition of
19 an unaffiliated insurance company,
20 agent, or broker; or

21 (II) the release of information as
22 otherwise authorized by State or Fed-
23 eral law.

24 (vii) Restrictions prohibiting the use
25 of health information obtained from the in-

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1 insurance records of a customer for any pur-
2 pose, other than for its activities as a li-
3 censed agent or broker, without the ex-
4 press consent of the customer.

5 (viii) Restrictions prohibiting the ex-
6 tension of credit or any product or service
7 that is equivalent to an extension of credit,
8 lease or sale of property of any kind, or
9 furnishing of any services or fixing or vary-
10 ing the consideration for any of the fore-
11 going, on the condition or requirement that
12 the customer obtain insurance from the in-
13 sured depository institution, wholesale fi-
14 nancial institution, a subsidiary or affiliate
15 thereof, or a particular insurer, agent, or
16 broker, other than a prohibition that would
17 prevent any insured depository institution
18 or wholesale financial institution, or any
19 subsidiary or affiliate thereof—

20 (I) from engaging in any activity
21 that would not violate section 106 of
22 the Bank Holding Company Act
23 Amendments of 1970, as interpreted
24 by the Board of Governors of the Fed-
25 eral Reserve System; or

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1 (II) from informing a customer
2 or prospective customer that insur-
3 ance is required in order to obtain a
4 loan or credit, that loan or credit ap-
5 proval is contingent upon the procure-
6 ment by the customer of acceptable
7 insurance, or that insurance is avail-
8 able from the insured depository insti-
9 tution or wholesale financial institu-
10 tion, or any subsidiary or affiliate
11 thereof.

12 (ix) Restrictions requiring, when an
13 application by a consumer for a loan or
14 other extension of credit from an insured
15 depository institution or wholesale financial
16 institution is pending, and insurance is of-
17 fered or sold to the consumer or is re-
18 quired in connection with the loan or ex-
19 tension of credit by the insured depository
20 institution or wholesale financial institu-
21 tion or any affiliate or subsidiary thereof,
22 that a written disclosure be provided to the
23 consumer or prospective customer indi-
24 cating that his or her choice of an insur-
25 ance provider will not affect the credit de-

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1 cision or credit terms in any way, except
2 that the insured depository institution or
3 wholesale financial institution may impose
4 reasonable requirements concerning the
5 creditworthiness of the insurance provider
6 and scope of coverage chosen.

7 (x) Restrictions requiring clear and
8 conspicuous disclosure, in writing, where
9 practicable, to the customer prior to the
10 sale of any insurance policy that such
11 policy—

12 (I) is not a deposit;

13 (II) is not insured by the Federal
14 Deposit Insurance Corporation;

15 (III) is not guaranteed by the in-
16 sured depository institution or whole-
17 sale financial institution or, if appro-
18 priate, its subsidiaries or affiliates or
19 any person soliciting the purchase of
20 or selling insurance on the premises
21 thereof; and

22 (IV) where appropriate, involves
23 investment risk, including potential
24 loss of principal.

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1 (xi) Restrictions requiring that, when
2 a customer obtains insurance (other than
3 credit insurance or flood insurance) and
4 credit from an insured depository institu-
5 tion or wholesale financial institution, or
6 its subsidiaries or affiliates, or any person
7 soliciting the purchase of or selling insur-
8 ance on the premises thereof, the credit
9 and insurance transactions be completed
10 through separate documents.

11 (xii) Restrictions prohibiting, when a
12 customer obtains insurance (other than
13 credit insurance or flood insurance) and
14 credit from an insured depository institu-
15 tion or wholesale financial institution or its
16 subsidiaries or affiliates, or any person so-
17 liciting the purchase of or selling insurance
18 on the premises thereof, inclusion of the
19 expense of insurance premiums in the pri-
20 mary credit transaction without the ex-
21 press written consent of the customer.

22 (xiii) Restrictions requiring mainte-
23 nance of separate and distinct books and
24 records relating to insurance transactions,
25 including all files relating to and reflecting

1 consumer complaints, and requiring that
2 such insurance books and records be made
3 available to the appropriate State insur-
4 ance regulator for inspection upon reason-
5 able notice.

6 (C) CONSTRUCTION.—Nothing in this
7 paragraph shall be construed to limit the appli-
8 cability of the decision of the Supreme Court in
9 Barnett Bank of Marion County N.A. v. Nel-
10 son, 517 U.S. 25 (1996), with respect to a
11 State statute, regulation, order, interpretation,
12 or other action that is not described in subpara-
13 graph (B).

14 (3) INSURANCE ACTIVITIES OTHER THAN
15 SALES.—State statutes, regulations, interpretations,
16 orders, and other actions shall not be preempted
17 under subsection (b)(1) to the extent that they—

18 (A) relate to, or are issued, adopted, or en-
19 acted for the purpose of regulating the business
20 of insurance in accordance with the Act of
21 March 9, 1945 (commonly known as the
22 “McCarran-Ferguson Act”);

23 (B) apply only to persons that are not in-
24 sured depository institutions or wholesale finan-
25 cial institutions, but that are directly engaged

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1 in the business of insurance, except that such
2 State statutes, regulations, interpretations, or-
3 ders, and other actions may apply to—

4 (i) depository institutions engaged in
5 providing savings bank life insurance as
6 principal to the extent of regulating such
7 insurance; and

8 (ii) depository institutions or whole-
9 sale financial institutions which are en-
10 gaged in the business of insurance on be-
11 half, directly or indirectly, of a company
12 providing insurance as principal, such as
13 by performing administrative or investment
14 management or claims processing functions
15 related to insurance, but only—

16 (I) to the extent of such func-
17 tions;

18 (II) if such functions would nor-
19 mally be regulated by the insurance
20 regulator of such State as part of the
21 business of insurance;

22 (III) if the State statute, regula-
23 tion, interpretation, order, or other
24 action does not directly conflict with

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1 any Federal law expressly governing
2 such function; and

3 (IV) if the State insurance regu-
4 lator makes an effort to obtain any
5 required information from the appro-
6 priate banking regulator of such de-
7 pository institution or wholesale finan-
8 cial institution;

9 (C) do not relate to or directly or indirectly
10 regulate insurance sales, solicitations, or cross-
11 marketing activities; and

12 (D) are not prohibited under subsection
13 (c).

14 (4) FINANCIAL ACTIVITIES OTHER THAN INSUR-
15 ANCE.—No State statute, regulation, interpretation,
16 order, or other action shall be preempted under sub-
17 section (b)(1) to the extent that—

18 (A) it does not relate to, and is not issued
19 and adopted, or enacted for the purpose of reg-
20 ulating, directly or indirectly, insurance sales,
21 solicitations, or cross marketing activities cov-
22 ered under paragraph (2);

23 (B) it does not relate to, and is not issued
24 and adopted, or enacted for the purpose of reg-
25 ulating, directly or indirectly, the business of in-

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1 surance activities other than sales, solicitations,
2 or cross marketing activities, covered under
3 paragraph (3);

4 (C) it does not relate to securities inves-
5 tigations or enforcement actions referred to in
6 subsection (d); and

7 (D) it—

8 (i) does not distinguish by its terms
9 between insured depository institutions,
10 wholesale financial institutions, and sub-
11 sidiaries and affiliates thereof engaged in
12 the activity at issue and other persons or
13 entities engaged in the same activity in a
14 manner that is in any way adverse with re-
15 spect to the conduct of the activity by any
16 such insured depository institution, whole-
17 sale financial institution, or subsidiary or
18 affiliate thereof engaged in the activity at
19 issue;

20 (ii) as interpreted or applied, does not
21 have, and will not have, an impact on de-
22 pository institutions, wholesale financial in-
23 stitutions, or subsidiaries or affiliates
24 thereof engaged in the activity at issue, or
25 any person or entity affiliated therewith,

1 that is substantially more adverse than its
2 impact on other persons or entities en-
3 gaged in the same activity that are not in-
4 sured depository institutions, wholesale fi-
5 nancial institutions, or subsidiaries or af-
6 filiates thereof, or persons or entities affili-
7 ated therewith;

8 (iii) does not effectively prevent a de-
9 pository institution, wholesale financial in-
10 stitution, or subsidiary or affiliate thereof
11 from engaging in activities authorized or
12 permitted by this Act or any other provi-
13 sion of Federal law; and

14 (iv) does not conflict with the intent
15 of this Act generally to permit affiliations
16 that are authorized or permitted by Fed-
17 eral law.

18 (c) NONDISCRIMINATION.—

19 (1) IN GENERAL.—Except as provided in sub-
20 section (b)(2)(B), no State may, by statute, regula-
21 tion, order, interpretation, or other action, regulate
22 the insurance activities authorized or permitted
23 under this Act or any other provision of Federal law
24 of an insured depository institution or wholesale fi-
25 nancial institution, or subsidiary or affiliate thereof,

1 to the extent that such statute, regulation, order, in-
2 terpretation, or other action—

3 (A) distinguishes by its terms between in-
4 sured depository institutions or wholesale finan-
5 cial institutions, or subsidiaries or affiliates
6 thereof, and other persons or entities engaged
7 in such activities, in a manner that is more ad-
8 verse to insured depository institutions or
9 wholesale financial institutions, or subsidiaries
10 or affiliates thereof, than to other persons or
11 entities providing the same products or services
12 or engaged in the same activities that are not
13 insured depository institutions, wholesale finan-
14 cial institutions, or subsidiaries or affiliates
15 thereof, or persons or entities affiliated there-
16 with;

17 (B)(i) as interpreted or applied, has or will
18 have an impact on insured depository institu-
19 tions or wholesale financial institutions, or sub-
20 sidiaries or affiliates thereof, based on their sta-
21 tus, that is substantially more adverse than its
22 impact on other persons or entities providing
23 the same products or services or engaged in the
24 same activities that are not insured depository
25 institutions, wholesale financial institutions, or

1 subsidiaries or affiliates thereof, or persons or
2 entities affiliated therewith; and

3 (ii) for purposes of this subparagraph, the
4 term “based on their status” means—

5 (I) with respect to insured depository
6 institutions and wholesale financial institu-
7 tions, based on an attribute of insured de-
8 pository institutions or wholesale financial
9 institutions, such as a Federal charter or
10 the insured status, either as a whole or
11 with regard to a particular type or class of
12 such institutions; and

13 (II) with respect to subsidiaries or af-
14 filiates of insured depository institutions or
15 wholesale financial institutions, based on
16 their relationship with such institutions;

17 (C) effectively prevents a insured deposi-
18 tory institution or wholesale financial institu-
19 tion, or subsidiary or affiliate thereof, from en-
20 gaging in insurance activities authorized or per-
21 mitted by this Act or any other provision of
22 Federal law; or

23 (D) conflicts with the intent of this Act
24 generally to permit affiliations that are author-
25 ized or permitted by Federal law between in-

1 sured depository institutions or wholesale finan-
2 cial institutions, or subsidiaries or affiliates
3 thereof, and persons and entities engaged in the
4 business of insurance.

5 (2) PROSPECTIVE APPLICATION.—Paragraph
6 (1) shall not apply to any State statute, regulation,
7 order, interpretation, or other action regarding any
8 insurance sales, solicitation, or cross-marketing ac-
9 tivity described in subsection (b)(2)(A) that was
10 issued, adopted, enacted, or taken before January 1,
11 1999.

12 (d) LIMITATION.—Subsections (a) and (b) shall not
13 be construed to affect the jurisdiction of the securities
14 commission (or any agency or office performing like func-
15 tions) of any State, under the laws of such State—

16 (1) to investigate and bring enforcement ac-
17 tions, consistent with section 18(c) of the Securities
18 Act of 1933, with respect to fraud or deceit or un-
19 lawful conduct by any person, in connection with se-
20 curities or securities transactions; or

21 (2) to require the registration of securities or
22 the licensure or registration of brokers, dealers, or
23 investment advisers (consistent with section 203A of
24 the Investment Advisers Act of 1940), or the associ-

1 ated persons of a broker, dealer, or investment ad-
2 viser (consistent with such section 203A).

3 (e) DEFINITION.—For purposes of this section, the
4 term “State” means any State of the United States, the
5 District of Columbia, any territory of the United States,
6 Puerto Rico, Guam, American Samoa, the Trust Territory
7 of the Pacific Islands, the Virgin Islands, and the North-
8 ern Mariana Islands.

9 **SEC. 105. MUTUAL BANK HOLDING COMPANIES AUTHOR-**
10 **IZED.**

11 Section 3(g)(2) of the Bank Holding Company Act
12 of 1956 (12 U.S.C. 1842(g)(2)) is amended to read as
13 follows:

14 “(2) REGULATIONS.—A bank holding company
15 organized as a mutual holding company shall be reg-
16 ulated on terms, and shall be subject to limitations,
17 comparable to those applicable to any other bank
18 holding company.”.

19 **SEC. 105A. PUBLIC MEETINGS FOR LARGE BANK ACQUISI-**
20 **TIONS AND MERGERS.**

21 (a) BANK HOLDING COMPANY ACT OF 1956.—Sec-
22 tion 3(c)(2) of the Bank Holding Company Act of 1956
23 (12 U.S.C. 1842(c)(2)) is amended—

24 (1) by striking “FACTORS.—In every case” and
25 inserting “FACTORS.—

1 “(A) IN GENERAL.—In every case”; and

2 (2) by adding at the end the following new sub-
3 paragraph:

4 “(B) PUBLIC MEETINGS.—In each case in-
5 volving 1 or more insured depository institu-
6 tions each of which has total assets of
7 \$1,000,000,000 or more, the Board shall, as
8 necessary and on a timely basis, conduct public
9 meetings in 1 or more areas where the Board
10 believes, in the sole discretion of the Board,
11 there will be a substantial public impact.”.

12 (b) FEDERAL DEPOSIT INSURANCE ACT.—Section
13 18(c) of the Federal Deposit Insurance Act (12 U.S.C.
14 1828(c)) is amended by adding at the end the following
15 new paragraph:

16 “(12) PUBLIC MEETINGS.—In each merger
17 transaction involving 1 or more insured depository
18 institutions each of which has total assets of
19 \$1,000,000,000 or more, the responsible agency
20 shall, as necessary and on a timely basis, conduct
21 public meetings in 1 or more areas where the agency
22 believes, in the sole discretion of the agency, there
23 will be a substantial public impact.”.

24 (c) NATIONAL BANK CONSOLIDATION AND MERGER
25 ACT.—The National Bank Consolidation and Merger Act

1 (12 U.S.C. 215 et seq.) is amended by adding at the end
2 the following new section:

3 **“SEC. 6. PUBLIC MEETINGS FOR LARGE BANK CONSOLIDA-**
4 **TIONS AND MERGERS.**

5 “In each case of a consolidation or merger under this
6 Act involving 1 or more banks each of which has total
7 assets of \$1,000,000,000 or more, the Comptroller shall,
8 as necessary and on a timely basis, conduct public meet-
9 ings in 1 or more areas where the Comptroller believes,
10 in the sole discretion of the Comptroller, there will be a
11 substantial public impact.”.

12 (d) HOME OWNERS’ LOAN ACT.—Section 10(e) of
13 the Home Owners’ Loan Act (12 U.S.C. 1463) is amended
14 by adding at the end the following new paragraph:

15 “(7) PUBLIC MEETINGS FOR LARGE DEPOSI-
16 TORY INSTITUTION ACQUISITIONS AND MERGERS.—
17 In each case involving 1 or more insured depository
18 institutions each of which has total assets of
19 \$1,000,000,000 or more, the Director shall, as nec-
20 essary and on a timely basis, conduct public meet-
21 ings in 1 or more areas where the Director believes,
22 in the sole discretion of the Director, there will be
23 a substantial public impact.”.

1 **SEC. 106. PROHIBITION ON DEPOSIT PRODUCTION OF-**
2 **FICES.**

3 (a) IN GENERAL.—Section 109(d) of the Riegle-Neal
4 Interstate Banking and Branching Efficiency Act of 1994
5 (12 U.S.C. 1835a(d)) is amended—

6 (1) by inserting “, the Financial Services Act of
7 1999,” after “pursuant to this title”; and

8 (2) by inserting “or such Act” after “made by
9 this title”.

10 (b) TECHNICAL AND CONFORMING AMENDMENT.—
11 Section 109(e)(4) of the Riegle-Neal Interstate Banking
12 and Branching Efficiency Act of 1994 (12 U.S.C.
13 1835a(e)(4)) is amended by inserting “and any branch of
14 a bank controlled by an out-of-State bank holding com-
15 pany (as defined in section 2(o)(7) of the Bank Holding
16 Company Act of 1956)” before the period.

17 **SEC. 107. CLARIFICATION OF BRANCH CLOSURE REQUIRE-**
18 **MENTS.**

19 Section 42(d)(4)(A) of the Federal Deposit Insurance
20 Act (12 U.S.C. 1831r-1(d)(4)(A)) is amended by inserting
21 “and any bank controlled by an out-of-State bank holding
22 company (as defined in section 2(o)(7) of the Bank Hold-
23 ing Company Act of 1956)” before the period.

1 **SEC. 108. AMENDMENTS RELATING TO LIMITED PURPOSE**

2 **BANKS.**

3 Section 4(f) of the Bank Holding Company Act of
4 1956 (12 U.S.C. 1843(f)) is amended—

5 (1) in paragraph (2)(A)(ii)—

6 (A) by striking “and” at the end of sub-
7 clause (IX);

8 (B) by inserting “and” after the semicolon
9 at the end of subclause (X); and

10 (C) by inserting after subclause (X) the
11 following new subclause:

12 “(XI) assets that are derived
13 from, or are incidental to, activities in
14 which institutions described in section
15 2(c)(2)(F) are permitted to engage,”;

16 (2) in paragraph (2), by striking subparagraph
17 (B) and inserting the following new subparagraphs:

18 “(B) any bank subsidiary of such company
19 engages in any activity in which the bank was
20 not lawfully engaged as of March 5, 1987, un-
21 less the bank is well managed and well capital-
22 ized;

23 “(C) any bank subsidiary of such company
24 both—

25 “(i) accepts demand deposits or de-
26 posits that the depositor may withdraw by

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1 check or similar means for payment to
2 third parties; and

3 “(ii) engages in the business of mak-
4 ing commercial loans (and, for purposes of
5 this clause, loans made in the ordinary
6 course of a credit card operation shall not
7 be treated as commercial loans); or

8 “(D) after the date of the enactment of the
9 Competitive Equality Amendments of 1987, any
10 bank subsidiary of such company permits any
11 overdraft (including any intraday overdraft), or
12 incurs any such overdraft in such bank’s ac-
13 count at a Federal reserve bank, on behalf of
14 an affiliate, other than an overdraft described
15 in paragraph (3).”; and

16 (3) by striking paragraphs (3) and (4) and in-
17 serting the following new paragraphs:

18 “(3) PERMISSIBLE OVERDRAFTS DESCRIBED.—
19 For purposes of paragraph (2)(D), an overdraft is
20 described in this paragraph if—

21 “(A) such overdraft results from an inad-
22 vertent computer or accounting error that is be-
23 yond the control of both the bank and the affil-
24 iate; or

25 “(B) such overdraft—

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1 “(i) is permitted or incurred on behalf
2 of an affiliate which is monitored by, re-
3 ports to, and is recognized as a primary
4 dealer by the Federal Reserve Bank of
5 New York; and

6 “(ii) is fully secured, as required by
7 the Board, by bonds, notes, or other obli-
8 gations which are direct obligations of the
9 United States or on which the principal
10 and interest are fully guaranteed by the
11 United States or by securities and obliga-
12 tions eligible for settlement on the Federal
13 Reserve book entry system.

14 “(4) DIVESTITURE IN CASE OF LOSS OF EX-
15 EMPTION.—If any company described in paragraph
16 (1) fails to qualify for the exemption provided under
17 such paragraph by operation of paragraph (2), such
18 exemption shall cease to apply to such company and
19 such company shall divest control of each bank it
20 controls before the end of the 180-day period begin-
21 ning on the date that the company receives notice
22 from the Board that the company has failed to con-
23 tinue to qualify for such exemption, unless before
24 the end of such 180-day period, the company has—

1 “(A) corrected the condition or ceased the
2 activity that caused the company to fail to con-
3 tinue to qualify for the exemption; and

4 “(B) implemented procedures that are rea-
5 sonably adapted to avoid the reoccurrence of
6 such condition or activity.”.

7 **SEC. 109. GAO STUDY OF ECONOMIC IMPACT ON COMMU-**
8 **NITY BANKS, OTHER SMALL FINANCIAL IN-**
9 **STITUTIONS, INSURANCE AGENTS, AND CON-**
10 **SUMERS.**

11 (a) STUDY REQUIRED.—The Comptroller General of
12 the United States shall conduct a study of the projected
13 economic impact and the actual economic impact that the
14 enactment of this Act will have on financial institutions,
15 including community banks, registered brokers and deal-
16 ers and insurance companies, which have total assets of
17 \$100,000,000 or less, insurance agents, and consumers.

18 (b) REPORTS TO THE CONGRESS.—

19 (1) IN GENERAL.—The Comptroller General of
20 the United States shall submit reports to the Con-
21 gress, at the times required under paragraph (2),
22 containing the findings and conclusions of the
23 Comptroller General with regard to the study re-
24 quired under subsection (a) and such recommenda-
25 tions for legislative or administrative action as the

1 Comptroller General may determine to be appro-
2 priate.

3 (2) TIMING OF REPORTS.—The Comptroller
4 General shall submit—

5 (A) an interim report before the end of the
6 6-month period beginning after the date of the
7 enactment of this Act;

8 (B) another interim report before the end
9 of the next 6-month period; and

10 (C) a final report before the end of the 1-
11 year period after such second 6-month period,”

12 **Subtitle B—Streamlining Super-**
13 **vision of Financial Holding**
14 **Companies**

15 **SEC. 111. STREAMLINING FINANCIAL HOLDING COMPANY**
16 **SUPERVISION.**

17 Section 5(c) of the Bank Holding Company Act of
18 1956 (12 U.S.C. 1844(c)) is amended to read as follows:

19 “(c) REPORTS AND EXAMINATIONS.—

20 “(1) REPORTS.—

21 “(A) IN GENERAL.—The Board from time
22 to time may require any bank holding company
23 and any subsidiary of such company to submit
24 reports under oath to keep the Board informed
25 as to—

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1 “(i) its financial condition, systems
2 for monitoring and controlling financial
3 and operating risks, and transactions with
4 depository institution subsidiaries of the
5 holding company; and

6 “(ii) compliance by the company or
7 subsidiary with applicable provisions of
8 this Act.

9 “(B) USE OF EXISTING REPORTS.—

10 “(i) IN GENERAL.—The Board shall,
11 to the fullest extent possible, accept re-
12 ports in fulfillment of the Board’s report-
13 ing requirements under this paragraph
14 that a bank holding company or any sub-
15 sidiary of such company has provided or
16 been required to provide to other Federal
17 and State supervisors or to appropriate
18 self-regulatory organizations.

19 “(ii) AVAILABILITY.—A bank holding
20 company or a subsidiary of such company
21 shall provide to the Board, at the request
22 of the Board, a report referred to in clause
23 (i).

24 “(iii) REQUIRED USE OF PUBLICLY
25 REPORTED INFORMATION.—The Board

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1 shall, to the fullest extent possible, accept
2 in fulfillment of any reporting or record-
3 keeping requirements under this Act infor-
4 mation that is otherwise required to be re-
5 ported publicly and externally audited fi-
6 nancial statements.

7 “(iv) REPORTS FILED WITH OTHER
8 AGENCIES.—In the event the Board re-
9 quires a report from a functionally regu-
10 lated nondepository institution subsidiary
11 of a bank holding company of a kind that
12 is not required by another Federal or State
13 regulator or appropriate self-regulatory or-
14 ganization, the Board shall request that
15 the appropriate regulator or self-regulatory
16 organization obtain such report. If the re-
17 port is not made available to the Board,
18 and the report is necessary to assess a ma-
19 terial risk to the bank holding company or
20 any of its subsidiary depository institutions
21 or compliance with this Act, the Board
22 may require such subsidiary to provide
23 such a report to the Board.

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1 “(C) DEFINITION.—For purposes of this
2 subsection, the term ‘functionally regulated
3 nondepository institution’ means—

4 “(i) a broker or dealer registered
5 under the Securities Exchange Act of
6 1934;

7 “(ii) an investment adviser registered
8 under the Investment Advisers Act of
9 1940, or with any State, with respect to
10 the investment advisory activities of such
11 investment adviser and activities incidental
12 to such investment advisory activities;

13 “(iii) an insurance company subject to
14 supervision by a State insurance commis-
15 sion, agency, or similar authority; and

16 “(iv) an entity subject to regulation
17 by the Commodity Futures Trading Com-
18 mission, with respect to the commodities
19 activities of such entity and activities inci-
20 dental to such commodities activities.

21 “(2) EXAMINATIONS.—

22 “(A) EXAMINATION AUTHORITY.—

23 “(i) IN GENERAL.—The Board may
24 make examinations of each bank holding

1 company and each subsidiary of a bank
2 holding company.

3 “(ii) FUNCTIONALLY REGULATED
4 NONDEPOSITORY INSTITUTION SUBSIDI-
5 ARIES.—Notwithstanding clause (i), the
6 Board may make examinations of a func-
7 tionally regulated nondepository institution
8 subsidiary of a bank holding company only
9 if—

10 “(I) the Board has reasonable
11 cause to believe that such subsidiary
12 is engaged in activities that pose a
13 material risk to an affiliated deposi-
14 tory institution, or

15 “(II) based on reports and other
16 available information, the Board has
17 reasonable cause to believe that a sub-
18 sidiary is not in compliance with this
19 Act or with provisions relating to
20 transactions with an affiliated deposi-
21 tory institution and the Board cannot
22 make such determination through ex-
23 amination of the affiliated depository
24 institution or bank holding company.

1 “(B) LIMITATIONS ON EXAMINATION AU-
2 THORITY FOR BANK HOLDING COMPANIES AND
3 SUBSIDIARIES.—Subject to subparagraph
4 (A)(ii), the Board may make examinations
5 under subparagraph (A)(i) of each bank holding
6 company and each subsidiary of such holding
7 company in order to—

8 “(i) inform the Board of the nature of
9 the operations and financial condition of
10 the holding company and such subsidiaries;

11 “(ii) inform the Board of—

12 “(I) the financial and operational
13 risks within the holding company sys-
14 tem that may pose a threat to the
15 safety and soundness of any sub-
16 sidiary depository institution of such
17 holding company; and

18 “(II) the systems for monitoring
19 and controlling such risks; and

20 “(iii) monitor compliance with the
21 provisions of this Act and those governing
22 transactions and relationships between any
23 subsidiary depository institution and its af-
24 filiates.

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1 “(C) RESTRICTED FOCUS OF EXAMINA-
2 TIONS.—The Board shall, to the fullest extent
3 possible, limit the focus and scope of any exam-
4 ination of a bank holding company to—

5 “(i) the bank holding company; and

6 “(ii) any subsidiary of the holding
7 company that, because of—

8 “(I) the size, condition, or activi-
9 ties of the subsidiary; or

10 “(II) the nature or size of trans-
11 actions between such subsidiary and
12 any depository institution which is
13 also a subsidiary of such holding com-
14 pany,

15 could have a materially adverse effect on
16 the safety and soundness of any depository
17 institution affiliate of the holding company.

18 “(D) DEFERENCE TO BANK EXAMINA-
19 TIONS.—The Board shall, to the fullest extent
20 possible, use, for the purposes of this para-
21 graph, the reports of examinations of depository
22 institutions made by the appropriate Federal
23 and State depository institution supervisory au-
24 thority.

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1 “(E) DEFERENCE TO OTHER EXAMINA-
2 TIONS.—The Board shall, to the fullest extent
3 possible, address the circumstances which might
4 otherwise permit or require an examination by
5 the Board by forgoing an examination and in-
6 stead reviewing the reports of examination
7 made of—

8 “(i) any registered broker or dealer by
9 or on behalf of the Securities and Ex-
10 change Commission;

11 “(ii) any investment adviser registered
12 by or on behalf of either the Securities and
13 Exchange Commission or any State, which-
14 ever is required by law;

15 “(iii) any licensed insurance company
16 by or on behalf of any state regulatory au-
17 thority responsible for the supervision of
18 insurance companies; and

19 “(iv) any other subsidiary that the
20 Board finds to be comprehensively super-
21 vised by a Federal or State authority.

22 “(3) CAPITAL.—

23 “(A) IN GENERAL.—The Board shall not,
24 by regulation, guideline, order or otherwise, pre-
25 scribe or impose any capital or capital adequacy

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1 rules, guidelines, standards, or requirements on
2 any subsidiary of a financial holding company
3 that is not a depository institution and—

4 “(i) is in compliance with applicable
5 capital requirements of another Federal
6 regulatory authority (including the Securi-
7 ties and Exchange Commission) or State
8 insurance authority;

9 “(ii) is registered as an investment
10 adviser under the Investment Advisers Act
11 of 1940, or with any State, whichever is
12 required by law; or

13 “(iii) is licensed as an insurance agent
14 with the appropriate State insurance au-
15 thority.

16 “(B) RULE OF CONSTRUCTION.—Subpara-
17 graph (A) shall not be construed as preventing
18 the Board from imposing capital or capital ade-
19 quacy rules, guidelines, standards, or require-
20 ments with respect to—

21 “(i) activities of a registered invest-
22 ment adviser other than investment advi-
23 sory activities or activities incidental to in-
24 vestment advisory activities; or

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1 “(ii) activities of a licensed insurance
2 agent other than insurance agency activi-
3 ties or activities incidental to insurance
4 agency activities.

5 “(C) LIMITATIONS ON INDIRECT AC-
6 TION.—In developing, establishing, or assessing
7 holding company capital or capital adequacy
8 rules, guidelines, standards, or requirements for
9 purposes of this paragraph, the Board shall not
10 take into account the activities, operations, or
11 investments of an affiliated investment company
12 registered under the Investment Company Act
13 of 1940, unless the investment company is—

14 “(i) a bank holding company; or

15 “(ii) controlled by a bank holding
16 company by reason of ownership by the
17 bank holding company (including through
18 all of its affiliates) of 25 percent or more
19 of the shares of the investment company,
20 and the shares owned by the bank holding
21 company have a market value equal to
22 more than \$1,000,000.

23 “(4) FUNCTIONAL REGULATION OF SECURITIES
24 AND INSURANCE ACTIVITIES.—The Board shall defer
25 to—

1 “(A) the Securities and Exchange Commis-
2 sion with regard to all interpretations of, and
3 the enforcement of, applicable Federal securi-
4 ties laws (and rules, regulations, orders, and
5 other directives issued thereunder) relating to
6 the activities, conduct, and operations of reg-
7 istered brokers, dealers, investment advisers,
8 and investment companies;

9 “(B) the relevant State securities authori-
10 ties with regard to all interpretations of, and
11 the enforcement of, applicable State securities
12 laws (and rules, regulations, orders, and other
13 directives issued thereunder) relating to the ac-
14 tivities, conduct, and operations of brokers,
15 dealers, and investment advisers required to be
16 registered under State law; and

17 “(C) the relevant State insurance authori-
18 ties with regard to all interpretations of, and
19 the enforcement of, applicable State insurance
20 laws (and rules, regulations, orders, and other
21 directives issued thereunder) relating to the ac-
22 tivities, conduct, and operations of insurance
23 companies and insurance agents.”.

1 **SEC. 112. ELIMINATION OF APPLICATION REQUIREMENT**
2 **FOR FINANCIAL HOLDING COMPANIES.**

3 (a) PREVENTION OF DUPLICATIVE FILINGS.—Sec-
4 tion 5(a) of the Bank Holding Company Act of 1956 (12
5 U.S.C. 1844(a)) is amended by adding the following new
6 sentence at the end: “A declaration filed in accordance
7 with section 6(b)(1)(D) shall satisfy the requirements of
8 this subsection with regard to the registration of a bank
9 holding company but not any requirement to file an appli-
10 cation to acquire a bank pursuant to section 3.”.

11 (b) DIVESTITURE PROCEDURES.—Section 5(e)(1) of
12 the Bank Holding Company Act of 1956 (12 U.S.C.
13 1844(e)(1)) is amended—

14 (1) by striking “Financial Institutions Super-
15 visory Act of 1966, order” and inserting “Financial
16 Institutions Supervisory Act of 1966, at the election
17 of the bank holding company—

18 “(A) order”; and

19 (2) by striking “shareholders of the bank hold-
20 ing company. Such distribution” and inserting
21 “shareholders of the bank holding company; or

22 “(B) order the bank holding company, after due
23 notice and opportunity for hearing, and after con-
24 sultation with the primary supervisor for the bank,
25 which shall be the Comptroller of the Currency in
26 the case of a national bank, and the Federal Deposit

1 Insurance Corporation and the appropriate State su-
2 pervisor in the case of an insured nonmember bank,
3 to terminate (within 120 days or such longer period
4 as the Board may direct) the ownership or control
5 of any such bank by such company.

6 “The distribution referred to in subparagraph (A)”.

7 **SEC. 113. AUTHORITY OF STATE INSURANCE REGULATOR**
8 **AND SECURITIES AND EXCHANGE COMMIS-**
9 **SION.**

10 Section 5 of the Bank Holding Company Act of 1956
11 (12 U.S.C. 1844) is amended by adding at the end the
12 following new subsection:

13 “(g) **AUTHORITY OF STATE INSURANCE REGULATOR**
14 **AND THE SECURITIES AND EXCHANGE COMMISSION.—**

15 “(1) **IN GENERAL.—**Notwithstanding any other
16 provision of law, any regulation, order, or other ac-
17 tion of the Board which requires a bank holding
18 company to provide funds or other assets to a sub-
19 sidiary insured depository institution shall not be ef-
20 fective nor enforceable if—

21 “(A) such funds or assets are to be pro-
22 vided by—

23 “(i) a bank holding company that is
24 an insurance company, a broker or dealer
25 registered under the Securities Exchange

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1 Act of 1934, or an investment company
2 registered under the Investment Company
3 of 1940; or

4 “(ii) an affiliate of the depository in-
5 stitution which is an insurance company or
6 a broker or dealer registered under such
7 Act; and

8 “(B) the State insurance authority for the
9 insurance company or the Securities and Ex-
10 change Commission for the registered broker,
11 dealer, or investment company, as the case may
12 be, determines in writing sent to the holding
13 company and the Board that the holding com-
14 pany shall not provide such funds or assets be-
15 cause such action would have a material ad-
16 verse effect on the financial condition of the in-
17 surance company or the broker, dealer, or in-
18 vestment company, as the case may be.

19 “(2) NOTICE TO STATE INSURANCE AUTHORITY
20 OR SEC REQUIRED.—If the Board requires a bank
21 holding company, or an affiliate of a bank holding
22 company, which is an insurance company or a
23 broker, dealer, or investment company described in
24 paragraph (1)(A) to provide funds or assets to an
25 insured depository institution subsidiary of the hold-

1 ing company pursuant to any regulation, order, or
2 other action of the Board referred to in paragraph
3 (1), the Board shall promptly notify the State insur-
4 ance authority for the insurance company or the Se-
5 curities and Exchange Commission, as the case may
6 be, of such requirement.

7 “(3) DIVESTITURE IN LIEU OF OTHER AC-
8 TION.—If the Board receives a notice described in
9 paragraph (1)(B) from a State insurance authority
10 or the Securities and Exchange Commission with re-
11 gard to a bank holding company or affiliate referred
12 to in that paragraph, the Board may order the bank
13 holding company to divest the insured depository in-
14 stitution not later than 180 days after receiving the
15 notice, or such longer period as the Board deter-
16 mines consistent with the safe and sound operation
17 of the insured depository institution.

18 “(4) CONDITIONS BEFORE DIVESTITURE.—Dur-
19 ing the period beginning on the date an order to di-
20 vest is issued by the Board under paragraph (3) to
21 a bank holding company and ending on the date the
22 divestiture is completed, the Board may impose any
23 conditions or restrictions on the holding company’s
24 ownership or operation of the insured depository in-
25 stitution, including restricting or prohibiting trans-

1 actions between the insured depository institution
2 and any affiliate of the institution, as are appro-
3 priate under the circumstances.”.

4 **SEC. 114. PRUDENTIAL SAFEGUARDS.**

5 Section 5 of the Bank Holding Company Act of 1956
6 (12 U.S.C. 1844) is amended by inserting after subsection
7 (g) (as added by section 113 of this subtitle) the following
8 new subsection:

9 “(h) PRUDENTIAL SAFEGUARDS.—

10 “(1) IN GENERAL.—The Board may, by regula-
11 tion or order, impose restrictions or requirements on
12 relationships or transactions between a depository
13 institution subsidiary of a bank holding company
14 and any affiliate of such depository institution (other
15 than a subsidiary of such institution) which the
16 Board finds is consistent with the public interest,
17 the purposes of this Act, the Financial Services Act
18 of 1999, the Federal Reserve Act, and other Federal
19 law applicable to depository institution subsidiaries
20 of bank holding companies and the standards in
21 paragraph (2).

22 “(2) STANDARDS.—The Board may exercise au-
23 thority under paragraph (1) if the Board finds that
24 such action will have any of the following effects:

1 “(A) Avoid any significant risk to the safe-
2 ty and soundness of depository institutions or
3 any Federal deposit insurance fund.

4 “(B) Enhance the financial stability of
5 bank holding companies.

6 “(C) Avoid conflicts of interest or other
7 abuses.

8 “(D) Enhance the privacy of customers of
9 depository institutions.

10 “(E) Promote the application of national
11 treatment and equality of competitive oppor-
12 tunity between nonbank affiliates owned or con-
13 trolled by domestic bank holding companies and
14 nonbank affiliates owned or controlled by for-
15 eign banks operating in the United States.

16 “(3) REVIEW.—The Board shall regularly—

17 “(A) review all restrictions or requirements
18 established pursuant to paragraph (1) to deter-
19 mine whether there is a continuing need for any
20 such restriction or requirement to carry out the
21 purposes of the Act, including any purpose de-
22 scribed in paragraph (2); and

23 “(B) modify or eliminate any restriction or
24 requirement the Board finds is no longer re-
25 quired for such purposes.”.

1 **SEC. 115. EXAMINATION OF INVESTMENT COMPANIES.**

2 (a) **EXCLUSIVE COMMISSION AUTHORITY.—**

3 (1) **IN GENERAL.**—Except as provided in para-
4 graph (3), the Commission shall be the sole Federal
5 agency with authority to inspect and examine any
6 registered investment company that is not a bank
7 holding company or a savings and loan holding com-
8 pany.

9 (2) **PROHIBITION ON BANKING AGENCIES.**—Ex-
10 cept as provided in paragraph (3), a Federal bank-
11 ing agency may not inspect or examine any reg-
12 istered investment company that is not a bank hold-
13 ing company or a savings and loan holding company.

14 (3) **CERTAIN EXAMINATIONS AUTHORIZED.**—
15 Nothing in this subsection prevents the Federal De-
16 posit Insurance Corporation, if the Corporation finds
17 it necessary to determine the condition of an insured
18 depository institution for insurance purposes, from
19 examining an affiliate of any insured depository in-
20 stitution, pursuant to its authority under section
21 10(b)(4) of the Federal Deposit Insurance Act, as
22 may be necessary to disclose fully the relationship
23 between the depository institution and the affiliate,
24 and the effect of such relationship on the depository
25 institution.

1 (b) EXAMINATION RESULTS AND OTHER INFORMA-
2 TION.—The Commission shall provide to any Federal
3 banking agency, upon request, the results of any examina-
4 tion, reports, records, or other information with respect
5 to any registered investment company to the extent nec-
6 essary for the agency to carry out its statutory responsibil-
7 ities.

8 (c) DEFINITIONS.—For purposes of this section, the
9 following definitions shall apply:

10 (1) BANK HOLDING COMPANY.—The term
11 “bank holding company” has the same meaning as
12 in section 2 of the Bank Holding Company Act of
13 1956.

14 (2) COMMISSION.—The term “Commission”
15 means the Securities and Exchange Commission.

16 (3) FEDERAL BANKING AGENCY.—The term
17 “Federal banking agency” has the same meaning as
18 in section 3(z) of the Federal Deposit Insurance Act.

19 (4) REGISTERED INVESTMENT COMPANY.—The
20 term “registered investment company” means an in-
21 vestment company which is registered with the Com-
22 mission under the Investment Company Act of 1940.

23 (5) SAVINGS AND LOAN HOLDING COMPANY.—
24 The term “savings and loan holding company” has

1 the same meaning as in section 10(a)(1)(D) of the
2 Home Owners' Loan Act.

3 **SEC. 116. LIMITATION ON RULEMAKING, PRUDENTIAL, SU-**
4 **PERVISORY, AND ENFORCEMENT AUTHORITY**
5 **OF THE BOARD.**

6 The Bank Holding Company Act of 1956 (12 U.S.C.
7 1841 et seq.) is amended by inserting after section 10 the
8 following new section:

9 **"SEC. 10A. LIMITATION ON RULEMAKING, PRUDENTIAL, SU-**
10 **PERVISORY, AND ENFORCEMENT AUTHORITY**
11 **OF THE BOARD.**

12 **"(a) LIMITATION ON DIRECT ACTION.—**

13 **"(1) IN GENERAL.—**The Board may not pre-
14 scribe regulations, issue or seek entry of orders, im-
15 pose restraints, restrictions, guidelines, require-
16 ments, safeguards, or standards, or otherwise take
17 any action under or pursuant to any provision of
18 this Act or section 8 of the Federal Deposit Insur-
19 ance Act against or with respect to a regulated sub-
20 sidiary of a bank holding company unless the action
21 is necessary to prevent or redress an unsafe or un-
22 sound practice or breach of fiduciary duty by such
23 subsidiary that poses a material risk to—

1 “(A) the financial safety, soundness, or
2 stability of an affiliated depository institution;
3 or

4 “(B) the domestic or international pay-
5 ment system.

6 “(2) CRITERIA FOR BOARD ACTION.—The
7 Board shall not take action otherwise permitted
8 under paragraph (1) unless the Board finds that it
9 is not reasonably possible to effectively protect
10 against the material risk at issue through action di-
11 rected at or against the affiliated depository institu-
12 tion or against depository institutions generally.

13 “(b) LIMITATION ON INDIRECT ACTION.—The Board
14 may not prescribe regulations, issue or seek entry of or-
15 ders, impose restraints, restrictions, guidelines, require-
16 ments, safeguards, or standards, or otherwise take any ac-
17 tion under or pursuant to any provision of this Act or sec-
18 tion 8 of the Federal Deposit Insurance Act against or
19 with respect to a financial holding company or a wholesale
20 financial holding company where the purpose or effect of
21 doing so would be to take action indirectly against or with
22 respect to a regulated subsidiary that may not be taken
23 directly against or with respect to such subsidiary in ac-
24 cordance with subsection (a).

1 “(c) ACTIONS SPECIFICALLY AUTHORIZED.—Not-
2 withstanding subsection (a), the Board may take action
3 under this Act or section 8 of the Federal Deposit Insur-
4 ance Act to enforce compliance by a regulated subsidiary
5 with Federal law that the Board has specific jurisdiction
6 to enforce against such subsidiary.

7 “(d) REGULATED SUBSIDIARY DEFINED.—For pur-
8 poses of this section, the term ‘regulated subsidiary’
9 means any company that is not a bank holding company
10 and is—

11 “(1) a broker or dealer registered under the Se-
12 curities Exchange Act of 1934;

13 “(2) an investment adviser registered by or on
14 behalf of either the Securities and Exchange Com-
15 mission or any State, whichever is required by law,
16 with respect to the investment advisory activities of
17 such investment adviser and activities incidental to
18 such investment advisory activities;

19 “(3) an investment company registered under
20 the Investment Company Act of 1940;

21 “(4) an insurance company or an insurance
22 agency, with respect to the insurance activities and
23 activities incidental to such insurance activities, sub-
24 ject to supervision by a State insurance commission,
25 agency, or similar authority; or

1 “(5) an entity subject to regulation by the Com-
2 modity Futures Trading Commission, with respect
3 to the commodities activities of such entity and ac-
4 tivities incidental to such commodities activities.”.

5 **SEC. 117. EQUIVALENT REGULATION AND SUPERVISION.**

6 (a) IN GENERAL.—Notwithstanding any other provi-
7 sion of law, the provisions of—

8 (1) section 5(c) of the Bank Holding Company
9 Act of 1956 (as amended by this Act) that limit the
10 authority of the Board of Governors of the Federal
11 Reserve System to require reports from, to make ex-
12 aminations of, or to impose capital requirements on
13 bank holding companies and their nonbank subsidi-
14 aries or that require deference to other regulators;
15 and

16 (2) section 10A of the Bank Holding Company
17 Act of 1956 (as added by this Act) that limit what-
18 ever authority the Board might otherwise have to
19 take direct or indirect action with respect to bank
20 holding companies and their nonbank subsidiaries,
21 shall also limit whatever authority that a Federal banking
22 agency (as defined in section 3(z) of the Federal Deposit
23 Insurance Act) might otherwise have under any statute
24 to require reports, make examinations, impose capital re-
25 quirements or take any other direct or indirect action with

1 respect to bank holding companies and their nonbank sub-
2 sidiaries (including nonbank subsidiaries of depository in-
3 stitutions), subject to the same standards and require-
4 ments as are applicable to the Board under such provi-
5 sions.

6 (b) CERTAIN EXAMINATIONS AUTHORIZED.—No pro-
7 vision of this section shall be construed as preventing the
8 Federal Deposit Insurance Corporation, if the Corporation
9 finds it necessary to determine the condition of an insured
10 depository institution for insurance purposes, from exam-
11 ining an affiliate of any insured depository institution,
12 pursuant to its authority under section 10(b)(4) of the
13 Federal Deposit Insurance Act, as may be necessary to
14 disclose fully the relationship between the depository insti-
15 tution and the affiliate, and the effect of such relationship
16 on the depository institution.

17 **SEC. 118. PROHIBITION ON FDIC ASSISTANCE TO AFFILI-**
18 **ATES AND SUBSIDIARIES.**

19 Section 11(a)(4)(B) of the Federal Deposit Insurance
20 Act (12 U.S.C. 1821(a)(4)(B)) is amended by striking “to
21 benefit any shareholder of” and inserting “to benefit any
22 shareholder, affiliate (other than an insured depository in-
23 stitution that receives assistance in accordance with the
24 provisions of this Act), or subsidiary of”.

1 **SEC. 119. REPEAL OF SAVINGS BANK PROVISIONS IN THE**
2 **BANK HOLDING COMPANY ACT OF 1956.**

3 Section 3(f) of the Bank Holding Company Act of
4 1956 (12 U.S.C. 1842(f)) is amended to read as follows:

5 “(f) [Repealed].”.

6 **SEC. 120. TECHNICAL AMENDMENT.**

7 Section 2(o)(1)(A) of the Bank Holding Company
8 Act of 1956 (12 U.S.C. 1841(o)(1)(A)) is amended by
9 striking “section 38(b)” and inserting “section 38”.

10 **Subtitle C—Subsidiaries of**
11 **National Banks**

12 **SEC. 121. PERMISSIBLE ACTIVITIES FOR SUBSIDIARIES OF**
13 **NATIONAL BANKS.**

14 (a) FINANCIAL SUBSIDIARIES OF NATIONAL
15 BANKS.—Chapter one of title LXII of the Revised Stat-
16 utes of United States (12 U.S.C. 21 et seq.) is amended—

17 (1) by redesignating section 5136A as section
18 5136C; and

19 (2) by inserting after section 5136 (12 U.S.C.
20 24) the following new section:

21 **“SEC. 5136A. SUBSIDIARIES OF NATIONAL BANKS.**

22 “(a) SUBSIDIARIES OF NATIONAL BANKS AUTHOR-
23 IZED TO ENGAGE IN FINANCIAL ACTIVITIES.—

24 “(1) EXCLUSIVE AUTHORITY.—No provision of
25 section 5136 or any other provision of this title
26 LXII of the Revised Statutes shall be construed as

1 authorizing a subsidiary of a national bank to en-
2 gage in, or own any share of or any other interest
3 in any company engaged in, any activity that—

4 “(A) is not permissible for a national bank
5 to engage in directly; or

6 “(B) is conducted under terms or condi-
7 tions other than those that would govern the
8 conduct of such activity by a national bank,
9 unless a national bank is specifically authorized by
10 the express terms of a Federal statute and not by
11 implication or interpretation to acquire shares of or
12 an interest in, or to control, such subsidiary, such as
13 by paragraph (2) of this subsection and section 25A
14 of the Federal Reserve Act.

15 “(2) SPECIFIC AUTHORIZATION TO CONDUCT
16 AGENCY ACTIVITIES WHICH ARE FINANCIAL IN NA-
17 TURE.—A national bank may control a company
18 that engages in agency activities that have been de-
19 termined to be financial in nature or incidental to
20 such financial activities pursuant to and in accord-
21 ance with section 6(c) of the Bank Holding Com-
22 pany Act of 1956 if—

23 “(A) the company engages in such activi-
24 ties solely as agent and not directly or indirectly
25 as principal;

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1 “(B) the national bank is well capitalized
2 and well managed, and has achieved a rating of
3 satisfactory or better at the most recent exam-
4 ination of the bank under the Community Rein-
5 vestment Act of 1977;

6 “(C) all depository institution affiliates of
7 the national bank are well capitalized and well
8 managed, and have achieved a rating of satis-
9 factory or better at the most recent examina-
10 tion of each such depository institution under
11 the Community Reinvestment Act of 1977; and

12 “(D) the bank has received the approval of
13 the Comptroller of the Currency.

14 “(3) DEFINITIONS.—

15 “(A) COMPANY; CONTROL; AFFILIATE;
16 SUBSIDIARY.—The terms ‘company’, ‘control’,
17 ‘affiliate’, and ‘subsidiary’ have the meanings
18 given to such terms in section 2 of the Bank
19 Holding Company Act of 1956.

20 “(B) WELL CAPITALIZED.—The term ‘well
21 capitalized’ has the same meaning as in section
22 38 of the Federal Deposit Insurance Act and,
23 for purposes of this section, the Comptroller
24 shall have exclusive jurisdiction to determine
25 whether a national bank is well capitalized.

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1 “(C) WELL MANAGED.—The term ‘well
2 managed’ means—

3 “(i) in the case of a depository insti-
4 tution that has been examined, unless oth-
5 erwise determined in writing by the appro-
6 priate Federal banking agency—

7 “(I) the achievement of a com-
8 posite rating of 1 or 2 under the Uni-
9 form Financial Institutions Rating
10 System (or an equivalent rating under
11 an equivalent rating system) in con-
12 nection with the most recent examina-
13 tion or subsequent review of the de-
14 pository institution; and

15 “(II) at least a rating of 2 for
16 management, if that rating is given;
17 or

18 “(ii) in the case of any depository in-
19 stitution that has not been examined, the
20 existence and use of managerial resources
21 that the appropriate Federal banking agen-
22 cy determines are satisfactory.

23 “(D) OTHER INCORPORATED TERMS.—For
24 purposes of this paragraph, the terms “appro-
25 priate Federal banking agency” and “depository

1 institution” have the meanings given to such
2 terms in section 3 of the Federal Deposit Insur-
3 ance Act.

4 “(b) LIMITED EXCLUSIONS FROM COMMUNITY
5 NEEDS REQUIREMENTS FOR NEWLY ACQUIRED DEPOSI-
6 TORY INSTITUTIONS.—Any depository institution which
7 becomes affiliated with a national bank during the 24-
8 month period preceding the submission of an application
9 to acquire a subsidiary under subsection (a)(2), and any
10 depository institution which becomes so affiliated after the
11 approval of such application, may be excluded for purposes
12 of subsection (a)(2)(B) during the 24-month period begin-
13 ning on the date of such acquisition if—

14 “(1) the depository institution has submitted an
15 affirmative plan to the appropriate Federal banking
16 agency (as defined in section 3 of the Federal De-
17 posit Insurance Act) to take such action as may be
18 necessary in order for such institution to achieve a
19 ‘satisfactory record of meeting community credit
20 needs’, or better, at the next examination of the in-
21 stitution under the Community Reinvestment Act of
22 1977; and

23 “(2) the plan has been approved by the appro-
24 priate Federal banking agency.”.

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1 (b) LIMITATION ON CERTAIN ACTIVITIES IN SUB-
2 SIDIARIES.—Section 21(a)(1) of the Banking Act of 1933
3 (12 U.S.C. 378(a)(1)) is amended—

4 (1) by inserting “, or to be a subsidiary of any
5 person, firm, corporation, association, business trust,
6 or similar organization engaged (unless such sub-
7 sidiary (A) was lawfully engaged in such securities
8 activities as of September 15, 1997, or (B) is a non-
9 depository subsidiary of (i) a foreign bank and is not
10 also a subsidiary of a domestic depository institu-
11 tion, or (ii) an unincorporated private bank that is
12 in operation as of the date of the enactment of the
13 Financial Services Act of 1999 and is not insured
14 under the Federal Deposit Insurance Act)” after “to
15 engage at the same time”; and

16 (2) by inserting “or any subsidiary of such
17 bank, company, or institution” after “or private
18 bankers”.

19 (c) TECHNICAL AND CONFORMING AMENDMENTS.—

20 (1) ANTITYING.—Section 106(a) of the Bank
21 Holding Company Act Amendments of 1970 is
22 amended by adding at the end the following new
23 sentence: “For purposes of this section, a subsidiary
24 of a national bank which engages in activities as an
25 agent pursuant to section 5136A(a)(2) shall be

1 deemed to be a subsidiary of a bank holding com-
2 pany, and not a subsidiary of a bank.”.

3 (2) SECTION 23B.—Section 23B(a) of the Fed-
4 eral Reserve Act (12 U.S.C. 371c–1(a)) is amended
5 by adding at the end the following new paragraph:

6 “(4) SUBSIDIARY OF NATIONAL BANK.—For
7 purposes of this section, a subsidiary of a national
8 bank which engages in activities as an agent pursu-
9 ant to section 5136A(a)(2) shall be deemed to be an
10 affiliate of the national bank and not a subsidiary of
11 the bank.”.

12 (d) CLERICAL AMENDMENT.—The table of sections
13 for chapter one of title LXII of the Revised Statutes of
14 the United States is amended—

15 (1) by redesignating the item relating to section
16 5136A as section 5136C; and

17 (2) by inserting after the item relating to sec-
18 tion 5136 the following new item:

“5136A. Financial subsidiaries of national banks.”.

19 **SEC. 122. MISREPRESENTATIONS REGARDING DEPOSITORY**
20 **INSTITUTION LIABILITY FOR OBLIGATIONS**
21 **OF AFFILIATES.**

22 (a) IN GENERAL.—Chapter 47 of title 18, United
23 States Code, is amended by inserting after section 1007
24 the following new section:

1 **“§ 1008. Misrepresentations regarding financial insti-**
2 **tution liability for obligations of affiliates**

3 “(a) IN GENERAL.—No institution-affiliated party of
4 an insured depository institution or institution-affiliated
5 party of a subsidiary or affiliate of an insured depository
6 institution shall fraudulently represent that the institution
7 is or will be liable for any obligation of a subsidiary or
8 other affiliate of the institution.

9 “(b) CRIMINAL PENALTY.—Whoever violates sub-
10 section (a) shall be fined under this title, imprisoned for
11 not more than 5 year, or both.

12 “(c) INSTITUTION-AFFILIATED PARTY DEFINED.—
13 For purposes of this section, the term ‘institution-affili-
14 ated party’ with respect to a subsidiary or affiliate has
15 the same meaning as in section 3 except references to an
16 insured depository institution shall be deemed to be ref-
17 erences to a subsidiary or affiliate of an insured depository
18 institution.

19 “(d) OTHER DEFINITIONS.—For purposes of this
20 section, the terms ‘affiliate’, ‘insured depository institu-
21 tion’, and ‘subsidiary’ have same meanings as in section
22 3 of the Federal Deposit Insurance Act.”.

23 (b) CLERICAL AMENDMENT.—The table of sections
24 for chapter 47 of title 18, United States Code, is amended
25 by inserting after the item relating to section 1007 the
26 following new item:

“1008. Misrepresentations regarding financial institution liability for obligations of affiliates.”.

1 **SEC. 123. REPEAL OF STOCK LOAN LIMIT IN FEDERAL RE-**
2 **SERVE ACT.**

3 Section 11 of the Federal Reserve Act (12 U.S.C.
4 248) is amended by striking the paragraph designated as
5 “(m)” and inserting “(m) [Repealed]”.

6 **Subtitle D—Wholesale Financial**
7 **Holding Companies; Wholesale**
8 **Financial Institutions**

9 **CHAPTER 1—WHOLESALE FINANCIAL**
10 **HOLDING COMPANIES**

11 **SEC. 131. WHOLESALE FINANCIAL HOLDING COMPANIES**
12 **ESTABLISHED.**

13 (a) DEFINITION AND SUPERVISION.—Section 10 of
14 the Bank Holding Company Act of 1956 (12 U.S.C. 1841
15 et seq.) is amended to read as follows:

16 **“SEC. 10. WHOLESALE FINANCIAL HOLDING COMPANIES.**

17 **“(a) COMPANIES THAT CONTROL WHOLESALE FI-**
18 **NANCIAL INSTITUTIONS.—**

19 **“(1) WHOLESALE FINANCIAL HOLDING COM-**
20 **PANY DEFINED.—**The term ‘wholesale financial
21 holding company’ means any company that—

22 **“(A) is registered as a bank holding com-**
23 **pany;**

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1 “(B) is predominantly engaged in financial
2 activities as defined in section 6(f)(2);

3 “(C) controls 1 or more wholesale financial
4 institutions;

5 “(D) does not control—

6 “(i) a bank other than a wholesale fi-
7 nancial institution;

8 “(ii) an insured bank other than an
9 institution permitted under subparagraph
10 (D), (F), or (G) of section 2(c)(2); or

11 “(iii) a savings association; and

12 “(E) is not a foreign bank (as defined in
13 section 1(b)(7) of the International Banking
14 Act of 1978).

15 “(2) SAVINGS ASSOCIATION TRANSITION PE-
16 RIOD.—Notwithstanding paragraph (1)(D)(iii), the
17 Board may permit a company that controls a sav-
18 ings association and that otherwise meets the re-
19 quirements of paragraph (1) to become supervised
20 under paragraph (1), if the company divests control
21 of any such savings association within such period
22 not to exceed 5 years after becoming supervised
23 under paragraph (1) as permitted by the Board.

24 “(3) COMPANIES SUPERVISED BY SECURITIES
25 AND EXCHANGE COMMISSION.—Any wholesale finan-

1 cial institution holding company for which an elec-
2 tion to be subject to supervision by the Commission
3 is in effect under section 17(i) of the Securities Ex-
4 change Act of 1934 shall not be treated as a whole-
5 sale financial institution holding company, and shall
6 not be subject to supervision by the Board, for pur-
7 poses of this Act.

8 “(b) SUPERVISION BY THE BOARD.—

9 “(1) IN GENERAL.—The provisions of this sec-
10 tion shall govern the reporting, examination, and
11 capital requirements of wholesale financial holding
12 companies.

13 “(2) REPORTS.—

14 “(A) IN GENERAL.—The Board from time
15 to time may require any wholesale financial
16 holding company and any subsidiary of such
17 company to submit reports under oath to keep
18 the Board informed as to—

19 “(i) the company’s or subsidiary’s ac-
20 tivities, financial condition, policies, sys-
21 tems for monitoring and controlling finan-
22 cial and operational risks, and transactions
23 with depository institution subsidiaries of
24 the holding company; and

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1 “(ii) the extent to which the company
2 or subsidiary has complied with the provi-
3 sions of this Act and regulations prescribed
4 and orders issued under this Act.

5 “(B) USE OF EXISTING REPORTS.—

6 “(i) IN GENERAL.—The Board shall,
7 to the fullest extent possible, accept re-
8 ports in fulfillment of the Board’s report-
9 ing requirements under this paragraph
10 that the wholesale financial holding com-
11 pany or any subsidiary of such company
12 has provided or been required to provide to
13 other Federal and State supervisors or to
14 appropriate self-regulatory organizations.

15 “(ii) AVAILABILITY.—A wholesale fi-
16 nancial holding company or a subsidiary of
17 such company shall provide to the Board,
18 at the request of the Board, a report re-
19 ferred to in clause (i).

20 “(C) EXEMPTIONS FROM REPORTING RE-
21 QUIREMENTS.—

22 “(i) IN GENERAL.—The Board may,
23 by regulation or order, exempt any com-
24 pany or class of companies, under such
25 terms and conditions and for such periods

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1 as the Board shall provide in such regula-
2 tion or order, from the provisions of this
3 paragraph and any regulation prescribed
4 under this paragraph.

5 “(ii) CRITERIA FOR CONSIDER-
6 ATION.—In making any determination
7 under clause (i) with regard to any exemp-
8 tion under such clause, the Board shall
9 consider, among such other factors as the
10 Board may determine to be appropriate,
11 the following factors:

12 “(I) Whether information of the
13 type required under this paragraph is
14 available from a supervisory agency
15 (as defined in section 1101(7) of the
16 Right to Financial Privacy Act of
17 1978) or a foreign regulatory author-
18 ity of a similar type.

19 “(II) The primary business of the
20 company.

21 “(III) The nature and extent of
22 the domestic and foreign regulation of
23 the activities of the company.

24 “(3) EXAMINATIONS.—

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1 “(A) LIMITED USE OF EXAMINATION AU-
2 THORITY.—The Board may make examinations
3 of each wholesale financial holding company
4 and each subsidiary of such company in order
5 to—

6 “(i) inform the Board regarding the
7 nature of the operations and financial con-
8 dition of the wholesale financial holding
9 company and its subsidiaries;

10 “(ii) inform the Board regarding—

11 “(I) the financial and operational
12 risks within the wholesale financial
13 holding company system that may af-
14 fect any depository institution owned
15 by such holding company; and

16 “(II) the systems of the holding
17 company and its subsidiaries for mon-
18 itoring and controlling those risks;
19 and

20 “(iii) monitor compliance with the
21 provisions of this Act and those governing
22 transactions and relationships between any
23 depository institution controlled by the
24 wholesale financial holding company and
25 any of the company’s other subsidiaries.

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1 “(B) RESTRICTED FOCUS OF EXAMINA-
2 TIONS.—The Board shall, to the fullest extent
3 possible, limit the focus and scope of any exam-
4 ination of a wholesale financial holding com-
5 pany under this paragraph to—

6 “(i) the holding company; and

7 “(ii) any subsidiary (other than an in-
8 sured depository institution subsidiary) of
9 the holding company that, because of the
10 size, condition, or activities of the sub-
11 sidiary, the nature or size of transactions
12 between such subsidiary and any affiliated
13 depository institution, or the centralization
14 of functions within the holding company
15 system, could have a materially adverse ef-
16 fect on the safety and soundness of any de-
17 pository institution affiliate of the holding
18 company.

19 “(C) DEFERENCE TO BANK EXAMINA-
20 TIONS.—The Board shall, to the fullest extent
21 possible, use the reports of examination of de-
22 pository institutions made by the Comptroller of
23 the Currency, the Federal Deposit Insurance
24 Corporation, the Director of the Office of Thrift
25 Supervision or the appropriate State depository

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1 institution supervisory authority for the pur-
2 poses of this section.

3 “(D) DEFERENCE TO OTHER EXAMINA-
4 TIONS.—The Board shall, to the fullest extent
5 possible, address the circumstances which might
6 otherwise permit or require an examination by
7 the Board by forgoing an examination and by
8 instead reviewing the reports of examination
9 made of—

10 “(i) any registered broker or dealer or
11 any registered investment adviser by or on
12 behalf of the Commission; and

13 “(ii) any licensed insurance company
14 by or on behalf of any State government
15 insurance agency responsible for the super-
16 vision of the insurance company.

17 “(E) CONFIDENTIALITY OF REPORTED IN-
18 FORMATION.—

19 “(i) IN GENERAL.—Notwithstanding
20 any other provision of law, the Board shall
21 not be compelled to disclose any nonpublic
22 information required to be reported under
23 this paragraph, or any information sup-
24 plied to the Board by any domestic or for-
25 eign regulatory agency, that relates to the

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1 financial or operational condition of any
2 wholesale financial holding company or any
3 subsidiary of such company.

4 “(ii) COMPLIANCE WITH REQUESTS
5 FOR INFORMATION.—No provision of this
6 subparagraph shall be construed as author-
7 izing the Board to withhold information
8 from the Congress, or preventing the
9 Board from complying with a request for
10 information from any other Federal de-
11 partment or agency for purposes within the
12 scope of such department’s or agency’s ju-
13 risdiction, or from complying with any
14 order of a court of competent jurisdiction
15 in an action brought by the United States
16 or the Board.

17 “(iii) COORDINATION WITH OTHER
18 LAW.—For purposes of section 552 of title
19 5, United States Code, this subparagraph
20 shall be considered to be a statute de-
21 scribed in subsection (b)(3)(B) of such sec-
22 tion.

23 “(iv) DESIGNATION OF CONFIDENTIAL
24 INFORMATION.—In prescribing regulations
25 to carry out the requirements of this sub-

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1 section, the Board shall designate informa-
2 tion described in or obtained pursuant to
3 this paragraph as confidential information.

4 “(F) COSTS.—The cost of any examination
5 conducted by the Board under this section may
6 be assessed against, and made payable by, the
7 wholesale financial holding company.

8 “(4) CAPITAL ADEQUACY GUIDELINES.—

9 “(A) CAPITAL ADEQUACY PROVISIONS.—
10 Subject to the requirements of, and solely in ac-
11 cordance with, the terms of this paragraph, the
12 Board may adopt capital adequacy rules or
13 guidelines for wholesale financial holding com-
14 panies.

15 “(B) METHOD OF CALCULATION.—In de-
16 veloping rules or guidelines under this para-
17 graph, the following provisions shall apply:

18 “(i) FOCUS ON DOUBLE LEVERAGE.—

19 The Board shall focus on the use by whole-
20 sale financial holding companies of debt
21 and other liabilities to fund capital invest-
22 ments in subsidiaries.

23 “(ii) NO UNWEIGHTED CAPITAL
24 RATIO.—The Board shall not, by regula-
25 tion, guideline, order, or otherwise, impose

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1 under this section a capital ratio that is
2 not based on appropriate risk-weighting
3 considerations.

4 “(iii) NO CAPITAL REQUIREMENT ON
5 REGULATED ENTITIES.—The Board shall
6 not, by regulation, guideline, order or oth-
7 erwise, prescribe or impose any capital or
8 capital adequacy rules, standards, guide-
9 lines, or requirements upon any subsidiary
10 that—

11 “(I) is not a depository institu-
12 tion; and

13 “(II) is in compliance with appli-
14 cable capital requirements of another
15 Federal regulatory authority (includ-
16 ing the Securities and Exchange Com-
17 mission) or State insurance authority.

18 “(iv) LIMITATION.—The Board shall
19 not, by regulation, guideline, order or oth-
20 erwise, prescribe or impose any capital or
21 capital adequacy rules, standards, guide-
22 lines, or requirements upon any subsidiary
23 that is not a depository institution and
24 that is registered as an investment adviser
25 under the Investment Advisers Act of

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1 1940, except that this clause shall not be
2 construed as preventing the Board from
3 imposing capital or capital adequacy rules,
4 guidelines, standards, or requirements with
5 respect to activities of a registered invest-
6 ment adviser other than investment advi-
7 sory activities or activities incidental to in-
8 vestment advisory activities.

9 “(v) LIMITATIONS ON INDIRECT AC-
10 TION.—In developing, establishing, or as-
11 sessing holding company capital or capital
12 adequacy rules, guidelines, standards, or
13 requirements for purposes of this para-
14 graph, the Board shall not take into ac-
15 count the activities, operations, or invest-
16 ments of an affiliated investment company
17 registered under the Investment Company
18 Act of 1940, unless the investment com-
19 pany is—

20 “(I) a bank holding company; or

21 “(II) controlled by a bank hold-
22 ing company by reason of ownership
23 by the bank holding company (includ-
24 ing through all of its affiliates) of 25
25 percent or more of the shares of the

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1 investment company, and the shares
2 owned by the bank holding company
3 have a market value equal to more
4 than \$1,000,000.

5 “(vi) APPROPRIATE EXCLUSIONS.—

6 The Board shall take full account of—

7 “(I) the capital requirements
8 made applicable to any subsidiary that
9 is not a depository institution by an-
10 other Federal regulatory authority or
11 State insurance authority; and

12 “(II) industry norms for capital-
13 ization of a company’s unregulated
14 subsidiaries and activities.

15 “(vii) INTERNAL RISK MANAGEMENT
16 MODELS.—The Board may incorporate in-
17 ternal risk management models of whole-
18 sale financial holding companies into its
19 capital adequacy guidelines or rules and
20 may take account of the extent to which
21 resources of a subsidiary depository insti-
22 tution may be used to service the debt or
23 other liabilities of the wholesale financial
24 holding company.

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1 “(c) NONFINANCIAL ACTIVITIES AND INVEST-
2 MENTS.—

3 “(1) GRANDFATHERED ACTIVITIES.—

4 “(A) IN GENERAL.—Notwithstanding sec-
5 tion 4(a), a company that becomes a wholesale
6 financial holding company may continue to en-
7 gage, directly or indirectly, in any activity and
8 may retain ownership and control of shares of
9 a company engaged in any activity if—

10 “(i) on the date of the enactment of
11 the Financial Services Act of 1999, such
12 wholesale financial holding company was
13 lawfully engaged in that nonfinancial activ-
14 ity, held the shares of such company, or
15 had entered into a contract to acquire
16 shares of any company engaged in such ac-
17 tivity; and

18 “(ii) the company engaged in such ac-
19 tivity continues to engage only in the same
20 activities that such company conducted on
21 the date of the enactment of the Financial
22 Services Act of 1999, and other activities
23 permissible under this Act.

24 “(B) NO EXPANSION OF GRANDFATHERED
25 COMMERCIAL ACTIVITIES THROUGH MERGER OR

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1 CONSOLIDATION.—A wholesale financial holding
2 company that engages in activities or holds
3 shares pursuant to this paragraph, or a sub-
4 sidiary of such wholesale financial holding com-
5 pany, may not acquire, in any merger, consoli-
6 dation, or other type of business combination,
7 assets of any other company which is engaged
8 in any activity which the Board has not deter-
9 mined to be financial in nature or incidental to
10 activities that are financial in nature under sec-
11 tion 6(c).

12 “(C) LIMITATION TO SINGLE EXEMP-
13 TION.—No company that engages in any activ-
14 ity or controls any shares under subsection (f)
15 of section 6 may engage in any activity or own
16 any shares pursuant to this paragraph.

17 “(2) COMMODITIES.—

18 “(A) IN GENERAL.—Notwithstanding sec-
19 tion 4(a), a wholesale financial holding company
20 which was predominately engaged as of Janu-
21 ary 1, 1997, in financial activities in the United
22 States (or any successor to any such company)
23 may engage in, or directly or indirectly own or
24 control shares of a company engaged in, activi-
25 ties related to the trading, sale, or investment

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1 in commodities and underlying physical prop-
2 erties that were not permissible for bank hold-
3 ing companies to conduct in the United States
4 as of January 1, 1997, if such wholesale finan-
5 cial holding company, or any subsidiary of such
6 holding company, was engaged directly, indi-
7 rectly, or through any such company in any of
8 such activities as of January 1, 1997, in the
9 United States.

10 “(B) LIMITATION.—The attributed aggre-
11 gate consolidated assets of a wholesale financial
12 holding company held under the authority
13 granted under this paragraph and not otherwise
14 permitted to be held by all wholesale financial
15 holding companies under this section may not
16 exceed 5 percent of the total consolidated assets
17 of the wholesale financial holding company, ex-
18 cept that the Board may increase such percent-
19 age of total consolidated assets by such
20 amounts and under such circumstances as the
21 Board considers appropriate, consistent with
22 the purposes of this Act.

23 “(3) CROSS MARKETING RESTRICTIONS.—A
24 wholesale financial holding company shall not
25 permit—

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1 “(A) any company whose shares it owns or
2 controls pursuant to paragraph (1) or (2) to
3 offer or market any product or service of an af-
4 filiated wholesale financial institution; or

5 “(B) any affiliated wholesale financial in-
6 stitution to offer or market any product or serv-
7 ice of any company whose shares are owned or
8 controlled by such wholesale financial holding
9 company pursuant to such paragraphs.

10 “(d) QUALIFICATION OF FOREIGN BANK AS WHOLE-
11 SALE FINANCIAL HOLDING COMPANY.—

12 “(1) IN GENERAL.—Any foreign bank, or any
13 company that owns or controls a foreign bank, that
14 operates a branch, agency, or commercial lending
15 company in the United States, including a foreign
16 bank or company that owns or controls a wholesale
17 financial institution, may request a determination
18 from the Board that such bank or company be treat-
19 ed as a wholesale financial holding company other
20 than for purposes of subsection (c), subject to such
21 conditions as the Board considers appropriate, giv-
22 ing due regard to the principle of national treatment
23 and equality of competitive opportunity and the re-
24 quirements imposed on domestic banks and compa-
25 nies.

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1 “(2) CONDITIONS FOR TREATMENT AS A
2 WHOLESALE FINANCIAL HOLDING COMPANY.—A for-
3 eign bank and a company that owns or controls a
4 foreign bank may not be treated as a wholesale fi-
5 nancial holding company unless the bank and com-
6 pany meet and continue to meet the following cri-
7 teria:

8 “(A) NO INSURED DEPOSITS.—No deposits
9 held directly by a foreign bank or through an
10 affiliate (other than an institution described in
11 subparagraph (D) or (F) of section 2(c)(2)) are
12 insured under the Federal Deposit Insurance
13 Act.

14 “(B) CAPITAL STANDARDS.—The foreign
15 bank meets risk-based capital standards com-
16 parable to the capital standards required for a
17 wholesale financial institution, giving due re-
18 gard to the principle of national treatment and
19 equality of competitive opportunity.

20 “(C) TRANSACTION WITH AFFILIATES.—
21 Transactions between a branch, agency, or com-
22 mercial lending company subsidiary of the for-
23 eign bank in the United States, and any securi-
24 ties affiliate or company in which the foreign
25 bank (or any company that owns or controls

1 such foreign bank) has invested and which en-
2 gages in any activity pursuant to subsection (e)
3 or (g) of section 6, comply with the provisions
4 of sections 23A and 23B of the Federal Reserve
5 Act in the same manner and to the same extent
6 as such transactions would be required to com-
7 ply with such sections if the bank were a mem-
8 ber bank.

9 “(3) TREATMENT AS A WHOLESALE FINANCIAL
10 INSTITUTION.—Any foreign bank which is, or is af-
11 filiated with a company which is, treated as a whole-
12 sale financial holding company under this subsection
13 shall be treated as a wholesale financial institution
14 for purposes of subsections (c)(1)(C) and (c)(3) of
15 section 9B of the Federal Reserve Act, and any such
16 foreign bank or company shall be subject to para-
17 graphs (3), (4), and (5) of section 9B(d) of the Fed-
18 eral Reserve Act, except that the Board may adopt
19 such modifications, conditions, or exemptions as the
20 Board deems appropriate, giving due regard to the
21 principle of national treatment and equality of com-
22 petitive opportunity.

23 “(4) SUPERVISION OF FOREIGN BANK WHICH
24 MAINTAINS NO BANKING PRESENCE OTHER THAN
25 CONTROL OF A WHOLESALE FINANCIAL INSTITU-

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1 TION.—A foreign bank that owns or controls a
2 wholesale financial institution but does not operate
3 a branch, agency, or commercial lending company in
4 the United States (and any company that owns or
5 controls such foreign bank) may request a deter-
6 mination from the Board that such bank or com-
7 pany be treated as a wholesale financial holding
8 company, except that such bank or company shall be
9 subject to the restrictions of paragraphs (2)(A) and
10 (3) of this subsection.

11 “(5) NO EFFECT ON OTHER PROVISIONS.—This
12 section shall not be construed as limiting the author-
13 ity of the Board under the International Banking
14 Act of 1978 with respect to the regulation, super-
15 vision, or examination of foreign banks and their of-
16 fices and affiliates in the United States.

17 “(6) APPLICABILITY OF COMMUNITY REINVEST-
18 MENT ACT OF 1977.—The branches in the United
19 States of a foreign bank that is, or is affiliated with
20 a company that is, treated as a wholesale financial
21 holding company shall be subject to section
22 9B(b)(11) of the Federal Reserve Act as if the for-
23 eign bank were a wholesale financial institution
24 under such section. The Board and the Comptroller
25 of the Currency shall apply the provisions of sections

1 803(2), 804, and 807(1) of the Community Rein-
2 vestment Act of 1977 to branches of foreign banks
3 which receive only such deposits as are permissible
4 for receipt by a corporation organized under section
5 25A of the Federal Reserve Act, in the same manner
6 and to the same extent such sections apply to such
7 a corporation.”.

8 (b) UNINSURED STATE BANKS.—Section 9 of the
9 Federal Reserve Act (U.S.C. 321 et seq.) is amended by
10 adding at the end the following new paragraph:

11 “(24) ENFORCEMENT AUTHORITY OVER UNIN-
12 SURED STATE MEMBER BANKS.—Section 3(u) of the
13 Federal Deposit Insurance Act, subsections (j) and
14 (k) of section 7 of such Act, and subsections (b)
15 through (n), (s), (u), and (v) of section 8 of such
16 Act shall apply to an uninsured State member bank
17 in the same manner and to the same extent such
18 provisions apply to an insured State member bank
19 and any reference in any such provision to ‘insured
20 depository institution’ shall be deemed to be a ref-
21 erence to ‘uninsured State member bank’ for pur-
22 poses of this paragraph.”.

23 **SEC. 132. AUTHORIZATION TO RELEASE REPORTS.**

24 (a) FEDERAL RESERVE ACT.—The last sentence of
25 the eighth undesignated paragraph of section 9 of the

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1 Federal Reserve Act (12 U.S.C. 326) is amended to read
2 as follows: “The Board of Governors of the Federal Re-
3 serve System, at its discretion, may furnish reports of ex-
4 amination or other confidential supervisory information
5 concerning State member banks or any other entities ex-
6 amined under any other authority of the Board to any
7 Federal or State authorities with supervisory or regulatory
8 authority over the examined entity, to officers, directors,
9 or receivers of the examined entity, and to any other per-
10 son that the Board determines to be proper.”.

11 (b) COMMODITY FUTURES TRADING COMMISSION.—
12 The Right to Financial Privacy Act of 1978 (12 U.S.C.
13 3401 et seq.) is amended—

14 (1) in section 1101(7) of the (12 U.S.C.
15 3401(7))—

16 (A) by redesignating subparagraphs (G)
17 and (H) as subparagraphs (H) and (I), respec-
18 tively; and

19 (B) by inserting after subparagraph (F)
20 the following new subparagraph:

21 “(G) the Commodity Futures Trading
22 Commission; or”; and

23 (2) in section 1112(e), by striking “and the Se-
24 curities and Exchange Commission” and inserting “,

1 the Securities and Exchange Commission, and the
2 Commodity Futures Trading Commission”.

3 **SEC. 133. CONFORMING AMENDMENTS.**

4 (a) BANK HOLDING COMPANY ACT OF 1956.—

5 (1) DEFINITIONS.—Section 2 of the Bank
6 Holding Company Act of 1956 (12 U.S.C. 1841) is
7 amended by inserting after subsection (p) (as added
8 by section 103(b)(1)) the following new subsections:

9 “(q) WHOLESALE FINANCIAL INSTITUTION.—The
10 term ‘wholesale financial institution’ means a wholesale fi-
11 nancial institution subject to section 9B of the Federal
12 Reserve Act.

13 “(r) COMMISSION.—The term ‘Commission’ means
14 the Securities and Exchange Commission.

15 “(s) DEPOSITORY INSTITUTION.—The term ‘deposi-
16 tory institution’—

17 “(1) has the meaning given to such term in sec-
18 tion 3 of the Federal Deposit Insurance Act; and

19 “(2) includes a wholesale financial institution.”.

20 (2) DEFINITION OF BANK INCLUDES WHOLE-
21 SALE FINANCIAL INSTITUTION.—Section 2(c)(1) of
22 the Bank Holding Company Act of 1956 (12 U.S.C.
23 1841(c)(1)) is amended by adding at the end the fol-
24 lowing new subparagraph:

25 “(C) A wholesale financial institution.”.

1 (3) INCORPORATED DEFINITIONS.—Section
2 2(n) of the Bank Holding Company Act of 1956 (12
3 U.S.C. 1841(n)) is amended by inserting “‘insured
4 bank’,” after “‘in danger of default’,”.

5 (4) EXCEPTION TO DEPOSIT INSURANCE RE-
6 QUIREMENT.—Section 3(e) of the Bank Holding
7 Company Act of 1956 (12 U.S.C. 1842(e)) is
8 amended by adding at the end the following: “This
9 subsection shall not apply to a wholesale financial
10 institution.”.

11 (b) FEDERAL DEPOSIT INSURANCE ACT.—Section
12 3(q)(2)(A) of the Federal Deposit Insurance Act (12
13 U.S.C. 1813(q)(2)(A)) is amended to read as follows:

14 “(A) any State member insured bank (ex-
15 cept a District bank) and any wholesale finan-
16 cial institution subject to section 9B of the Fed-
17 eral Reserve Act;”.

18 **CHAPTER 2—WHOLESALE FINANCIAL**
19 **INSTITUTIONS**

20 **SEC. 136. WHOLESALE FINANCIAL INSTITUTIONS.**

21 (a) NATIONAL WHOLESALE FINANCIAL INSTITU-
22 TIONS.—

23 (1) IN GENERAL.—Chapter one of title LXII of
24 the Revised Statutes of the United States (12
25 U.S.C. 21 et seq.) is amended by inserting after sec-

1 tion 5136A (as added by section 121(a) of this title)
2 the following new section:

3 **“SEC. 5136B. NATIONAL WHOLESALE FINANCIAL INSTITU-**
4 **TIONS.**

5 “(a) AUTHORIZATION OF THE COMPTROLLER RE-
6 QUIRED.—A national bank may apply to the Comptroller
7 on such forms and in accordance with such regulations
8 as the Comptroller may prescribe, for permission to oper-
9 ate as a national wholesale financial institution.

10 “(b) REGULATION.—A national wholesale financial
11 institution may exercise, in accordance with such institu-
12 tion’s articles of incorporation and regulations issued by
13 the Comptroller, all the powers and privileges of a national
14 bank formed in accordance with section 5133 of the Re-
15 vised Statutes of the United States, subject to section 9B
16 of the Federal Reserve Act and the limitations and restric-
17 tions contained therein.

18 “(c) COMMUNITY REINVESTMENT ACT OF 1977.—A
19 national wholesale financial institution shall be subject to
20 the Community Reinvestment Act of 1977.”.

21 (2) CLERICAL AMENDMENT.—The table of sec-
22 tions for chapter one of title LXII of the Revised
23 Statutes of the United States is amended by insert-
24 ing after the item relating to section 5136A (as

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1 added by section 121(d) of this title) the following
2 new item:

“5136B. National wholesale financial institutions.”.

3 (b) WHOLESALE FINANCIAL INSTITUTIONS.—The
4 Federal Reserve Act (12 U.S.C. 221 et seq.) is amended
5 by inserting after section 9A the following new section:

6 **“SEC. 9B. WHOLESALE FINANCIAL INSTITUTIONS.**

7 “(a) APPLICATION FOR MEMBERSHIP AS WHOLE-
8 SALE FINANCIAL INSTITUTION.—

9 “(1) APPLICATION REQUIRED.—

10 “(A) IN GENERAL.—Any bank may apply
11 to the Board of Governors of the Federal Re-
12 serve System to become a State wholesale fi-
13 nancial institution or to the Comptroller of the
14 Currency to become a national wholesale finan-
15 cial institution and, as a wholesale financial in-
16 stitution, to subscribe to the stock of the Fed-
17 eral reserve bank organized within the district
18 where the applying bank is located.

19 “(B) TREATMENT AS MEMBER BANK.—
20 Any application under subparagraph (A) shall
21 be treated as an application under, and shall be
22 subject to the provisions of section 9.

23 “(2) INSURANCE TERMINATION.—No bank the
24 deposits of which are insured under the Federal De-
25 posit Insurance Act may become a wholesale finan-

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1 cial institution unless it has met all requirements
2 under that Act for voluntary termination of deposit
3 insurance.

4 “(b) GENERAL REQUIREMENTS APPLICABLE TO
5 WHOLESALE FINANCIAL INSTITUTIONS.—

6 “(1) FEDERAL RESERVE ACT.—Except as oth-
7 erwise provided in this section, wholesale financial
8 institutions shall be member banks and shall be sub-
9 ject to the provisions of this Act that apply to mem-
10 ber banks to the same extent and in the same man-
11 ner as State member insured banks or national
12 banks, except that a wholesale financial institution
13 may terminate membership under this Act only with
14 the prior written approval of the Board and on
15 terms and conditions that the Board determines are
16 appropriate to carry out the purposes of this Act.

17 “(2) PROMPT CORRECTIVE ACTION.—A whole-
18 sale financial institution shall be deemed to be an in-
19 sured depository institution for purposes of section
20 38 of the Federal Deposit Insurance Act except
21 that—

22 “(A) the relevant capital levels and capital
23 measures for each capital category shall be the
24 levels specified by the Board for wholesale fi-
25 nancial institutions;

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1 “(B) subject to subparagraph (A), all ref-
2 erences to the appropriate Federal banking
3 agency or to the Corporation in that section
4 shall be deemed to be references to the Comp-
5 troller of the Currency, in the case of a national
6 wholesale financial institution, and to the
7 Board, in the case of all other wholesale finan-
8 cial institutions; and

9 “(C) in the case of wholesale financial in-
10 stitutions, the purpose of prompt corrective ac-
11 tion shall be to protect taxpayers and the finan-
12 cial system from the risks associated with the
13 operation and activities of wholesale financial
14 institutions.

15 “(3) ENFORCEMENT AUTHORITY.—Section
16 3(u), subsections (j) and (k) of section 7, sub-
17 sections (b) through (n), (s), (u), and (v) of section
18 8, and section 19 of the Federal Deposit Insurance
19 Act shall apply to a wholesale financial institution in
20 the same manner and to the same extent as such
21 provisions apply to State member insured banks or
22 national banks and any reference in such sections to
23 an insured depository institution shall be deemed to
24 include a reference to a wholesale financial institu-
25 tion.

1 “(4) CERTAIN OTHER STATUTES APPLICA-
2 BLE.—A wholesale financial institution shall be
3 deemed to be a banking institution, and the Board
4 shall be the appropriate Federal banking agency for
5 such bank and all such bank’s affiliates, for pur-
6 poses of the International Lending Supervision Act.

7 “(5) BANK MERGER ACT.—A wholesale finan-
8 cial institution shall be subject to sections 18(c) and
9 44 of the Federal Deposit Insurance Act in the same
10 manner and to the same extent the wholesale finan-
11 cial institution would be subject to such sections if
12 the institution were a State member insured bank or
13 a national bank.

14 “(6) BRANCHING.—Notwithstanding any other
15 provision of law, a wholesale financial institution
16 may establish and operate a branch at any location
17 on such terms and conditions as established by, and
18 with the approval of—

19 “(A) the Board, in the case of a State-
20 chartered wholesale financial institution; and

21 “(B) the Comptroller of the Currency, in
22 the case of a national bank wholesale financial
23 institution.

24 “(7) ACTIVITIES OF OUT-OF-STATE BRANCHES
25 OF WHOLESALE FINANCIAL INSTITUTIONS.—

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1 “(A) GENERAL.—A State-chartered whole-
2 sale financial institution shall be deemed a
3 State bank and an insured State bank and a
4 national wholesale financial institution shall be
5 deemed a national bank for purposes of para-
6 graphs (1), (2), and (3) of section 24(j) of the
7 Federal Deposit Insurance Act.

8 “(B) DEFINITIONS.—The following defini-
9 tions shall apply solely for purposes of applying
10 paragraph (1):

11 “(i) HOME STATE.—The term ‘home
12 State’ means, with respect to a State-char-
13 tered wholesale financial institution, the
14 State by which the institution is chartered.

15 “(ii) HOST STATE.—The term ‘host
16 State’ means a State, other than the home
17 State of the wholesale financial institution,
18 in which the institution maintains, or seeks
19 to establish and maintain, a branch.

20 “(iii) OUT-OF-STATE BANK.—The
21 term ‘out-of-State bank’ means, with re-
22 spect to any State, a wholesale financial
23 institution whose home State is another
24 State.

1 “(8) DISCRIMINATION REGARDING INTEREST
2 RATES.—Section 27 of the Federal Deposit Insur-
3 ance Act shall apply to State-chartered wholesale fi-
4 nancial institutions in the same manner and to the
5 same extent as such provisions apply to State mem-
6 ber insured banks and any reference in such section
7 to a State-chartered insured depository institution
8 shall be deemed to include a reference to a State-
9 chartered wholesale financial institution.

10 “(9) PREEMPTION OF STATE LAWS REQUIRING
11 DEPOSIT INSURANCE FOR WHOLESALE FINANCIAL
12 INSTITUTIONS.—The appropriate State banking au-
13 thority may grant a charter to a wholesale financial
14 institution notwithstanding any State constitution or
15 statute requiring that the institution obtain insur-
16 ance of its deposits and any such State constitution
17 or statute is hereby preempted solely for purposes of
18 this paragraph.

19 “(10) PARITY FOR WHOLESALE FINANCIAL IN-
20 STITUTIONS.—A State bank that is a wholesale fi-
21 nancial institution under this section shall have all
22 of the rights, powers, privileges, and immunities (in-
23 cluding those derived from status as a federally
24 chartered institution) of and as if it were a national

1 bank, subject to such terms and conditions as estab-
2 lished by the Board.

3 “(11) COMMUNITY REINVESTMENT ACT OF
4 1977.—A State wholesale financial institution shall
5 be subject to the Community Reinvestment Act of
6 1977.

7 “(c) SPECIFIC REQUIREMENTS APPLICABLE TO
8 WHOLESALE FINANCIAL INSTITUTIONS.—

9 “(1) LIMITATIONS ON DEPOSITS.—

10 “(A) MINIMUM AMOUNT.—

11 “(i) IN GENERAL.—No wholesale fi-
12 nancial institution may receive initial de-
13 posits of \$100,000 or less, other than on
14 an incidental and occasional basis.

15 “(ii) LIMITATION ON DEPOSITS OF
16 LESS THAN \$100,000.—No wholesale finan-
17 cial institution may receive initial deposits
18 of \$100,000 or less if such deposits con-
19 stitute more than 5 percent of the institu-
20 tion’s total deposits.

21 “(B) NO DEPOSIT INSURANCE.—Except as
22 otherwise provided in section 8A(f) of the Fed-
23 eral Deposit Insurance Act, no deposits held by
24 a wholesale financial institution shall be insured

1 deposits under the Federal Deposit Insurance
2 Act.

3 “(C) ADVERTISING AND DISCLOSURE.—

4 The Board and the Comptroller of the Currency
5 shall prescribe jointly regulations pertaining to
6 advertising and disclosure by wholesale financial
7 institutions to ensure that each depositor is no-
8 tified that deposits at the wholesale financial in-
9 stitution are not federally insured or otherwise
10 guaranteed by the United States Government.

11 “(2) MINIMUM CAPITAL LEVELS APPLICABLE
12 TO WHOLESALE FINANCIAL INSTITUTIONS.—The
13 Board shall, by regulation, adopt capital require-
14 ments for wholesale financial institutions—

15 “(A) to account for the status of wholesale
16 financial institutions as institutions that accept
17 deposits that are not insured under the Federal
18 Deposit Insurance Act; and

19 “(B) to provide for the safe and sound op-
20 eration of the wholesale financial institution
21 without undue risk to creditors or other per-
22 sons, including Federal reserve banks, engaged
23 in transactions with the bank.

24 “(3) ADDITIONAL REQUIREMENTS APPLICABLE
25 TO WHOLESALE FINANCIAL INSTITUTIONS.—In addi-

1 tion to any requirement otherwise applicable to State
2 member insured banks or applicable, under this sec-
3 tion, to wholesale financial institutions, the Board
4 may impose, by regulation or order, upon wholesale
5 financial institutions—

6 “(A) limitations on transactions, direct or
7 indirect, with affiliates to prevent—

8 “(i) the transfer of risk to the deposit
9 insurance funds; or

10 “(ii) an affiliate from gaining access
11 to, or the benefits of, credit from a Federal
12 reserve bank, including overdrafts at a
13 Federal reserve bank;

14 “(B) special clearing balance requirements;
15 and

16 “(C) any additional requirements that the
17 Board determines to be appropriate or nec-
18 essary to—

19 “(i) promote the safety and soundness
20 of the wholesale financial institution or any
21 insured depository institution affiliate of
22 the wholesale financial institution;

23 “(ii) prevent the transfer of risk to
24 the deposit insurance funds; or

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1 “(iii) protect creditors and other per-
2 sons, including Federal reserve banks, en-
3 gaged in transactions with the wholesale fi-
4 nancial institution.

5 “(4) EXEMPTIONS FOR WHOLESALE FINANCIAL
6 INSTITUTIONS.—The Board may, by regulation or
7 order, exempt any wholesale financial institution
8 from any provision applicable to a member bank
9 that is not a wholesale financial institution, if the
10 Board finds that such exemption is not inconsistent
11 with—

12 “(A) the promotion of the safety and
13 soundness of the wholesale financial institution
14 or any insured depository institution affiliate of
15 the wholesale financial institution;

16 “(B) the protection of the deposit insur-
17 ance funds; and

18 “(C) the protection of creditors and other
19 persons, including Federal reserve banks, en-
20 gaged in transactions with the wholesale finan-
21 cial institution.

22 “(5) LIMITATION ON TRANSACTIONS BETWEEN
23 A WHOLESALE FINANCIAL INSTITUTION AND AN IN-
24 SURED BANK.—For purposes of section 23A(d)(1) of
25 the Federal Reserve Act, a wholesale financial insti-

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1 tution that is affiliated with an insured bank shall
2 not be a bank.

3 “(6) NO EFFECT ON OTHER PROVISIONS.—This
4 section shall not be construed as limiting the
5 Board’s authority over member banks or the author-
6 ity of the Comptroller of the Currency over national
7 banks under any other provision of law, or to create
8 any obligation for any Federal reserve bank to
9 make, increase, renew, or extend any advance or dis-
10 count under this Act to any member bank or other
11 depository institution.

12 “(d) CAPITAL AND MANAGERIAL REQUIREMENTS.—

13 “(1) IN GENERAL.—A wholesale financial insti-
14 tution shall be well capitalized and well managed.

15 “(2) NOTICE TO COMPANY.—The Board shall
16 promptly provide notice to a company that controls
17 a wholesale financial institution whenever such
18 wholesale financial institution is not well capitalized
19 or well managed.

20 “(3) AGREEMENT TO RESTORE INSTITUTION.—

21 Within 45 days of receipt of a notice under para-
22 graph (2) (or such additional period not to exceed
23 90 days as the Board may permit), the company
24 shall execute an agreement acceptable to the Board
25 to restore the wholesale financial institution to com-

1 pliance with all of the requirements of paragraph
2 (1).

3 “(4) LIMITATIONS UNTIL INSTITUTION RE-
4 STORED.—Until the wholesale financial institution is
5 restored to compliance with all of the requirements
6 of paragraph (1), the Board may impose such limi-
7 tations on the conduct or activities of the company
8 or any affiliate of the company as the Board deter-
9 mines to be appropriate under the circumstances.

10 “(5) FAILURE TO RESTORE.—If the company
11 does not execute and implement an agreement in ac-
12 cordance with paragraph (3), comply with any limi-
13 tation imposed under paragraph (4), restore the
14 wholesale financial institution to well capitalized sta-
15 tus within 180 days after receipt by the company of
16 the notice described in paragraph (2), or restore the
17 wholesale financial institution to well managed sta-
18 tus within such period as the Board may permit, the
19 company shall, under such terms and conditions as
20 may be imposed by the Board and subject to such
21 extension of time as may be granted in the Board’s
22 discretion, divest control of its subsidiary depository
23 institutions.

24 “(6) WELL MANAGED DEFINED.—For purposes
25 of this subsection, the term ‘well managed’ has the

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1 same meaning as in section 2 of the Bank Holding
2 Company Act of 1956.

3 “(e) RESOLUTION OF WHOLESALE FINANCIAL INSTI-
4 TUTIONS.—

5 “(1) CONSERVATORSHIP AND RECEIVERSHIP
6 AUTHORITY.—

7 “(A) APPOINTMENT.—The Board may ap-
8 point a conservator or receiver to take posses-
9 sion and control of a wholesale financial institu-
10 tion to the same extent and in the same manner
11 as the Comptroller of the Currency may appoint
12 a conservator or receiver for a national bank.

13 “(B) POWERS.—The conservator or re-
14 ceiver for a wholesale financial institution shall
15 exercise the same powers, functions, and duties,
16 subject to the same limitations, as a conser-
17 vator or receiver for a national bank.

18 “(2) BOARD AUTHORITY.—The Board shall
19 have the same authority with respect to any conser-
20 vator or receiver appointed under paragraph (1) and
21 the wholesale financial institution for which such
22 conservator has been appointed as the Comptroller
23 of the Currency has with respect to a conservator or
24 receiver for a national bank and the national bank

1 for which the conservator or receiver has been ap-
2 pointed.

3 “(3) BANKRUPTCY PROCEEDINGS.—The Comp-
4 troller of the Currency (in the case of a national
5 wholesale financial institution) and the Board may
6 direct the conservator or receiver of a wholesale fi-
7 nancial institution to file a petition pursuant to title
8 11, United States Code, in which case, title 11,
9 United States Code, shall apply to the wholesale fi-
10 nancial institution in lieu of otherwise applicable
11 Federal or State insolvency law.

12 “(f) EXCLUSIVE JURISDICTION.—Subsections (c) and
13 (e) of section 43 of the Federal Deposit Insurance Act
14 shall not apply to any wholesale financial institution.”.

15 (c) VOLUNTARY TERMINATION OF INSURED STATUS
16 BY CERTAIN INSTITUTIONS.—

17 (1) SECTION 8 DESIGNATIONS.—Section 8(a) of
18 the Federal Deposit Insurance Act (12 U.S.C.
19 1818(a)) is amended—

20 (A) by striking paragraph (1); and

21 (B) by redesignating paragraphs (2)
22 through (10) as paragraphs (1) through (9), re-
23 spectively.

24 (2) VOLUNTARY TERMINATION OF INSURED
25 STATUS.—The Federal Deposit Insurance Act (12

1 U.S.C. 1811 et seq.) is amended by inserting after
2 section 8 the following new section:

3 **“SEC. 8A. VOLUNTARY TERMINATION OF STATUS AS IN-**
4 **SURED DEPOSITORY INSTITUTION.**

5 “(a) IN GENERAL.—Except as provided in subsection
6 (b), an insured State bank or a national bank may volun-
7 tarily terminate such bank’s status as an insured deposi-
8 tory institution in accordance with regulations of the Cor-
9 poration if—

10 “(1) the bank provides written notice of the
11 bank’s intent to terminate such insured status—

12 “(A) to the Corporation and the Board of
13 Governors of the Federal Reserve System, in
14 the case of an insured State bank, or to the
15 Corporation and the Comptroller of the Cur-
16 rency, in the case of an insured national bank
17 authorized to operate as a wholesale financial
18 institution, not less than 6 months before the
19 effective date of such termination; and

20 “(B) to all depositors at such bank, not
21 less than 6 months before the effective date of
22 the termination of such status; and

23 “(2) either—

24 “(A) the deposit insurance fund of which
25 such bank is a member equals or exceeds the

1 fund's designated reserve ratio as of the date
2 the bank provides a written notice under para-
3 graph (1) and the Corporation determines that
4 the fund will equal or exceed the applicable des-
5 ignated reserve ratio for the 2 semiannual as-
6 sessment periods immediately following such
7 date; or

8 “(B) the Corporation and the Board of
9 Governors of the Federal Reserve System, in
10 the case of an insured State bank, or the Cor-
11 poration and the Comptroller of the Currency,
12 in the case of an insured national bank author-
13 ized to operate as a wholesale financial institu-
14 tion, has approved the termination of the
15 bank's insured status and the bank pays an exit
16 fee in accordance with subsection (e).

17 “(b) EXCEPTION.—Subsection (a) shall not apply
18 with respect to—

19 “(1) an insured savings association; or

20 “(2) an insured branch that is required to be
21 insured under subsection (a) or (b) of section 6 of
22 the International Banking Act of 1978.

23 “(c) ELIGIBILITY FOR INSURANCE TERMINATED.—
24 Any bank that voluntarily elects to terminate the bank's
25 insured status under subsection (a) shall not be eligible

1 for insurance on any deposits or any assistance authorized
2 under this Act after the period specified in subsection
3 (f)(1).

4 “(d) INSTITUTION MUST BECOME WHOLESALE FI-
5 NANCIAL INSTITUTION OR TERMINATE DEPOSIT-TAKING
6 ACTIVITIES.—Any depository institution which voluntarily
7 terminates such institution’s status as an insured deposi-
8 tory institution under this section may not, upon termi-
9 nation of insurance, accept any deposits unless the institu-
10 tion is a wholesale financial institution subject to section
11 9B of the Federal Reserve Act.

12 “(e) EXIT FEES.—

13 “(1) IN GENERAL.—Any bank that voluntarily
14 terminates such bank’s status as an insured deposi-
15 tory institution under this section shall pay an exit
16 fee in an amount that the Corporation determines is
17 sufficient to account for the institution’s pro rata
18 share of the amount (if any) which would be re-
19 quired to restore the relevant deposit insurance fund
20 to the fund’s designated reserve ratio as of the date
21 the bank provides a written notice under subsection
22 (a)(1).

23 “(2) PROCEDURES.—The Corporation shall pre-
24 scribe, by regulation, procedures for assessing any
25 exit fee under this subsection.

1 “(f) TEMPORARY INSURANCE OF DEPOSITS INSURED
2 AS OF TERMINATION.—

3 “(1) TRANSITION PERIOD.—The insured depos-
4 its of each depositor in a State bank or a national
5 bank on the effective date of the voluntary termi-
6 nation of the bank’s insured status, less all subse-
7 quent withdrawals from any deposits of such deposi-
8 tor, shall continue to be insured for a period of not
9 less than 6 months and not more than 2 years, as
10 determined by the Corporation. During such period,
11 no additions to any such deposits, and no new de-
12 posits in the depository institution made after the ef-
13 fective date of such termination shall be insured by
14 the Corporation.

15 “(2) TEMPORARY ASSESSMENTS; OBLIGATIONS
16 AND DUTIES.—During the period specified in para-
17 graph (1) with respect to any bank, the bank shall
18 continue to pay assessments under section 7 as if
19 the bank were an insured depository institution. The
20 bank shall, in all other respects, be subject to the
21 authority of the Corporation and the duties and obli-
22 gations of an insured depository institution under
23 this Act during such period, and in the event that
24 the bank is closed due to an inability to meet the de-
25 mands of the bank’s depositors during such period,

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1 the Corporation shall have the same powers and
2 rights with respect to such bank as in the case of
3 an insured depository institution.

4 “(g) ADVERTISEMENTS.—

5 “(1) IN GENERAL.—A bank that voluntarily
6 terminates the bank’s insured status under this sec-
7 tion shall not advertise or hold itself out as having
8 insured deposits, except that the bank may advertise
9 the temporary insurance of deposits under sub-
10 section (f) if, in connection with any such advertise-
11 ment, the advertisement also states with equal prom-
12 inence that additions to deposits and new deposits
13 made after the effective date of the termination are
14 not insured.

15 “(2) CERTIFICATES OF DEPOSIT, OBLIGATIONS,
16 AND SECURITIES.—Any certificate of deposit or
17 other obligation or security issued by a State bank
18 or a national bank after the effective date of the vol-
19 untary termination of the bank’s insured status
20 under this section shall be accompanied by a con-
21 spicuous, prominently displayed notice that such cer-
22 tificate of deposit or other obligation or security is
23 not insured under this Act.

24 “(h) NOTICE REQUIREMENTS.—

1 “(1) NOTICE TO THE CORPORATION.—The no-
2 tice required under subsection (a)(1)(A) shall be in
3 such form as the Corporation may require.

4 “(2) NOTICE TO DEPOSITORS.—The notice re-
5 quired under subsection (a)(1)(B) shall be—

6 “(A) sent to each depositor’s last address
7 of record with the bank; and

8 “(B) in such manner and form as the Cor-
9 poration finds to be necessary and appropriate
10 for the protection of depositors.”.

11 (3) DEFINITION.—Section 19(b)(1)(A)(i) of the
12 Federal Reserve Act (12 U.S.C. 461(b)(1)(A)(i)) is
13 amended by inserting “, or any wholesale financial
14 institution subject to section 9B of this Act” after
15 “such Act”.

16 (d) TECHNICAL AND CONFORMING AMENDMENTS TO
17 THE BANKRUPTCY CODE.—

18 (1) BANKRUPTCY CODE DEBTORS.—Section
19 109(b)(2) of title 11, United States Code, is amend-
20 ed by striking “; or” and inserting the following: “,
21 except that—

22 “(A) a wholesale financial institution es-
23 tablished under section 5136B of the Revised
24 Statutes of the United States or section 9B of
25 the Federal Reserve Act may be a debtor if a

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1 petition is filed at the direction of the Comp-
2 troller of the Currency (in the case of a whole-
3 sale financial institution established under sec-
4 tion 5136B of the Revised Statutes of the
5 United States) or the Board of Governors of
6 the Federal Reserve System (in the case of any
7 wholesale financial institution); and

8 “(B) a corporation organized under section
9 25A of the Federal Reserve Act may be a debt-
10 or if a petition is filed at the direction of the
11 Board of Governors of the Federal Reserve Sys-
12 tem; or”.

13 (2) CHAPTER 7 DEBTORS.—Section 109(d) of
14 title 11, United States Code, is amended to read as
15 follows:

16 “(d) Only a railroad and a person that may be a debt-
17 or under chapter 7 of this title, except that a stockbroker,
18 a wholesale financial institution established under section
19 5136B of the Revised Statutes of the United States or
20 section 9B of the Federal Reserve Act, a corporation orga-
21 nized under section 25A of the Federal Reserve Act, or
22 a commodity broker, may be a debtor under chapter 11
23 of this title.”.

1 (3) DEFINITION OF FINANCIAL INSTITUTION.—

2 Section 101(22) of title 11, United States Code, is
3 amended to read as follows:

4 “(22) ‘financial institution’ means a person that
5 is a commercial or savings bank, industrial savings
6 bank, savings and loan association, trust company,
7 wholesale financial institution established under sec-
8 tion 5136B of the Revised Statutes of the United
9 States or section 9B of the Federal Reserve Act, or
10 corporation organized under section 25A of the Fed-
11 eral Reserve Act and, when any such person is act-
12 ing as agent or custodian for a customer in connec-
13 tion with a securities contract, as defined in section
14 741 of this title, such customer,”.

15 (4) SUBCHAPTER V OF CHAPTER 7.—

16 (A) IN GENERAL.—Section 103 of title 11,
17 United States Code, is amended—

18 (i) by redesignating subsections (e)
19 through (i) as subsections (f) through (j),
20 respectively; and

21 (ii) by inserting after subsection (d)
22 the following:

23 “(e) Subchapter V of chapter 7 of this title applies
24 only in a case under such chapter concerning the liquida-
25 tion of a wholesale financial institution established under

1 section 5136B of the Revised Statutes of the United
2 States or section 9B of the Federal Reserve Act, or a cor-
3 poration organized under section 25A of the Federal Re-
4 serve Act.”.

5 (B) WHOLESALE BANK LIQUIDATION.—

6 Chapter 7 of title 11, United States Code, is
7 amended by adding at the end the following:

8 “SUBCHAPTER V—WHOLESALE BANK
9 LIQUIDATION

10 **“§ 781. Definitions for subchapter**

11 “In this subchapter—

12 “(1) the term ‘Board’ means the Board of Gov-
13 ernors of the Federal Reserve System;

14 “(2) the term ‘depository institution’ has the
15 same meaning as in section 3 of the Federal Deposit
16 Insurance Act, and includes any wholesale bank;

17 “(3) the term ‘national wholesale financial insti-
18 tution’ means a wholesale financial institution estab-
19 lished under section 5136B of the Revised Statutes
20 of the United States; and

21 “(4) the term ‘wholesale bank’ means a na-
22 tional wholesale financial institution, a wholesale fi-
23 nancial institution established under section 9B of
24 the Federal Reserve Act, or a corporation organized
25 under section 25A of the Federal Reserve Act.

1 **“§ 782. Selection of trustee**

2 “Notwithstanding any other provision of this title,
3 the conservator or receiver who files the petition shall be
4 the trustee under this chapter, unless the Comptroller of
5 the Currency (in the case of a national wholesale financial
6 institution for which it appointed the conservator or re-
7 ceiver) or the Board (in the case of any wholesale bank
8 for which it appointed the conservator or receiver) des-
9 ignates an alternative trustee. The Comptroller of the Cur-
10 rency or the Board (as applicable) may designate a suc-
11 cessor trustee, if required.

12 **“§ 783. Additional powers of trustee**

13 “(a) The trustee under this subchapter has power,
14 with permission of the court—

15 “(1) to sell the wholesale bank to a depository
16 institution or consortium of depository institutions
17 (which consortium may agree on the allocation of
18 the wholesale bank among the consortium);

19 “(2) to merge the wholesale bank with a deposi-
20 tory institution;

21 “(3) to transfer contracts to the same extent as
22 could a receiver for a depository institution under
23 paragraphs (9) and (10) of section 11(e) of the Fed-
24 eral Deposit Insurance Act;

25 “(4) to transfer assets or liabilities to a deposi-
26 tory institution;

1 “(5) to distribute property not of the estate, in-
2 cluding distributions to customers that are man-
3 dated by subchapters III and IV of this chapter; or

4 “(6) to transfer assets and liabilities to a bridge
5 bank as provided in paragraphs (1), (3)(A), (5), (6),
6 and (9) through (13), and subparagraphs (A)
7 through (H) and (K) of paragraph (4) of section
8 11(n) of the Federal Deposit Insurance Act, except
9 that—

10 “(A) the bridge bank shall be treated as a
11 wholesale bank for the purpose of this sub-
12 section; and

13 “(B) any references in any such provision
14 of law to the Federal Deposit Insurance Cor-
15 poration shall be construed to be references to
16 the appointing agency and that references to
17 deposit insurance shall be omitted.

18 “(b) Any reference in this section to transfers of li-
19 abilities includes a ratable transfer of liabilities within a
20 priority class.

21 **“§ 784. Right to be heard**

22 “The Comptroller of the Currency (in the case of a
23 national wholesale financial institution), the Board (in the
24 case of any wholesale bank), or a Federal reserve bank
25 (in the case of a wholesale bank that is a member of that

1 bank) may raise and may appear and be heard on any
2 issue in a case under this subchapter.

3 **“§ 785. Expedited transfers**

4 “The trustee may make a transfer pursuant to sec-
5 tion 783 without prior judicial approval, if the Comptroller
6 of the Currency (in the case of a national wholesale finan-
7 cial institution for which it appointed the conservator or
8 receiver) or the Board (in the case of any wholesale bank
9 for which it appointed the conservator or receiver) deter-
10 mines that the transfer would be necessary to avert serious
11 adverse effects on economic conditions or financial sta-
12 bility.”.

13 (C) CONFORMING AMENDMENT.—The
14 table of sections for chapter 7 of title 11,
15 United States Code, is amended by adding at
16 the end the following:

“SUBCHAPTER V—WHOLESALE BANK LIQUIDATION

“781. Definitions for subchapter.

“782. Selection of trustee.

“783. Additional powers of trustee.

“784. Right to be heard.

“785. Expedited transfers.”.

17 (e) RESOLUTION OF EDGE CORPORATIONS.—The
18 16th undesignated paragraph of section 25A of the Fed-
19 eral Reserve Act (12 U.S.C. 624) is amended to read as
20 follows:

21 “(16) APPOINTMENT OF RECEIVER OR CONSER-
22 VATOR.—

1 “(A) IN GENERAL.—The Board may ap-
2 point a conservator or receiver for a corporation
3 organized under the provisions of this section to
4 the same extent and in the same manner as the
5 Comptroller of the Currency may appoint a con-
6 servator or receiver for a national bank, and the
7 conservator or receiver for such corporation
8 shall exercise the same powers, functions, and
9 duties, subject to the same limitations, as a
10 conservator or receiver for a national bank.

11 “(B) EQUIVALENT AUTHORITY.—The
12 Board shall have the same authority with re-
13 spect to any conservator or receiver appointed
14 for a corporation organized under the provisions
15 of this section under this paragraph and any
16 such corporation as the Comptroller of the Cur-
17 rency has with respect to a conservator or re-
18 ceiver of a national bank and the national bank
19 for which a conservator or receiver has been ap-
20 pointed.

21 “(C) TITLE 11 PETITIONS.—The Board
22 may direct the conservator or receiver of a cor-
23 poration organized under the provisions of this
24 section to file a petition pursuant to title 11,
25 United States Code, in which case, title 11,

1 United States Code, shall apply to the corpora-
2 tion in lieu of otherwise applicable Federal or
3 State insolvency law.”.

4 **Subtitle E—Preservation of FTC**
5 **Authority**

6 **SEC. 141. AMENDMENT TO THE BANK HOLDING COMPANY**
7 **ACT OF 1956 TO MODIFY NOTIFICATION AND**
8 **POST-APPROVAL WAITING PERIOD FOR SEC-**
9 **TION 3 TRANSACTIONS.**

10 Section 11(b)(1) of the Bank Holding Company Act
11 of 1956 (12 U.S.C. 1849(b)(1)) is amended by inserting
12 “and, if the transaction also involves an acquisition under
13 section 4 or section 6, the Board shall also notify the Fed-
14 eral Trade Commission of such approval” before the pe-
15 riod at the end of the first sentence.

16 **SEC. 142. INTERAGENCY DATA SHARING.**

17 To the extent not prohibited by other law, the Comp-
18 troller of the Currency, the Director of the Office of Thrift
19 Supervision, the Federal Deposit Insurance Corporation,
20 and the Board of Governors of the Federal Reserve Sys-
21 tem shall make available to the Attorney General and the
22 Federal Trade Commission any data in the possession of
23 any such banking agency that the antitrust agency deems
24 necessary for antitrust review of any transaction requiring
25 notice to any such antitrust agency or the approval of such

1 agency under section 3, 4, or 6 of the Bank Holding Com-
2 pany Act of 1956, section 18(e) of the Federal Deposit
3 Insurance Act, the National Bank Consolidation and
4 Merger Act, section 10 of the Home Owners' Loan Act,
5 or the antitrust laws.

6 **SEC. 143. CLARIFICATION OF STATUS OF SUBSIDIARIES**
7 **AND AFFILIATES.**

8 (a) CLARIFICATION OF FEDERAL TRADE COMMIS-
9 SION JURISDICTION.—Any person which directly or indi-
10 rectly controls, is controlled directly or indirectly by, or
11 is directly or indirectly under common control with, any
12 bank or savings association (as such terms are defined in
13 section 3 of the Federal Deposit Insurance Act) and is
14 not itself a bank or savings association shall not be
15 deemed to be a bank or savings association for purposes
16 of the Federal Trade Commission Act or any other law
17 enforced by the Federal Trade Commission.

18 (b) SAVINGS PROVISION.—No provision of this sec-
19 tion shall be construed as restricting the authority of any
20 Federal banking agency (as defined in section 3 of the
21 Federal Deposit Insurance Act) under any Federal bank-
22 ing law, including section 8 of the Federal Deposit Insur-
23 ance Act.

24 (c) HART-SCOTT-RODINO AMENDMENTS.—

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1 (1) BANKS.—Section 7A(c)(7) of the Clayton
2 Act (15 U.S.C. 18a(c)(7)) is amended by inserting
3 before the semicolon at the end the following: “, ex-
4 cept that a portion of a transaction is not exempt
5 under this paragraph if such portion of the trans-
6 action (A) is subject to section 6 of the Bank Hold-
7 ing Company Act of 1956; and (B) does not require
8 agency approval under section 3 of the Bank Hold-
9 ing Company Act of 1956”.

10 (2) BANK HOLDING COMPANIES.—Section
11 7A(c)(8) of the Clayton Act (15 U.S.C. 18a(c)(8)) is
12 amended by inserting before the semicolon at the
13 end the following: “, except that a portion of a
14 transaction is not exempt under this paragraph if
15 such portion of the transaction (A) is subject to sec-
16 tion 6 of the Bank Holding Company Act of 1956;
17 and (B) does not require agency approval under sec-
18 tion 4 of the Bank Holding Company Act of 1956”.

19 **SEC. 144. ANNUAL GAO REPORT.**

20 (a) IN GENERAL.—By the end of the 1-year period
21 beginning on the date of the enactment of this Act and
22 annually thereafter, the Comptroller General of the United
23 States shall submit a report to the Congress on market
24 concentration in the financial services industry and its im-
25 pact on consumers.

1 (b) ANALYSIS.—Each report submitted under sub-
2 section (a) shall contain an analysis of—

3 (1) the positive and negative effects of affili-
4 ations between various types of financial companies,
5 and of acquisitions pursuant to this Act and the
6 amendments made by this Act to other provisions of
7 law, including any positive or negative effects on
8 consumers, area markets, and submarkets thereof or
9 on registered securities brokers and dealers which
10 have been purchased by depository institutions or
11 depository institution holding companies;

12 (2) the changes in business practices and the
13 effects of any such changes on the availability of
14 venture capital, consumer credit, and other financial
15 services or products and the availability of capital
16 and credit for small businesses; and

17 (3) the acquisition patterns among depository
18 institutions, depository institution holding compa-
19 nies, securities firms, and insurance companies in-
20 cluding acquisitions among the largest 20 percent of
21 firms and acquisitions within regions or other lim-
22 ited geographical areas.

23 (c) SUNSET.—This section shall not apply after the
24 end of the 5-year period beginning on the date of the en-
25 actment of this Act.

1 **Subtitle F—National Treatment**

2 **SEC. 151. FOREIGN BANKS THAT ARE FINANCIAL HOLDING**
3 **COMPANIES.**

4 Section 8(c) of the International Banking Act of
5 1978 (12 U.S.C. 3106(c)) is amended by adding at the
6 end the following new paragraph:

7 “(3) TERMINATION OF GRANDFATHERED
8 RIGHTS.—

9 “(A) IN GENERAL.—If any foreign bank or
10 foreign company files a declaration under sec-
11 tion 6(b)(1)(D) or receives a determination
12 under section 10(d)(1) of the Bank Holding
13 Company Act of 1956, any authority conferred
14 by this subsection on any foreign bank or com-
15 pany to engage in any activity which the Board
16 has determined to be permissible for financial
17 holding companies under section 6 of such Act
18 shall terminate immediately.

19 “(B) RESTRICTIONS AND REQUIREMENTS
20 AUTHORIZED.—If a foreign bank or company
21 that engages, directly or through an affiliate
22 pursuant to paragraph (1), in an activity which
23 the Board has determined to be permissible for
24 financial holding companies under section 6 of
25 the Bank Holding Company Act of 1956 has

1 not filed a declaration with the Board of its sta-
2 tus as a financial holding company under such
3 section or received a determination under sec-
4 tion 10(d)(1) by the end of the 2-year period
5 beginning on the date of enactment of the Fi-
6 nancial Services Act of 1999, the Board, giving
7 due regard to the principle of national treat-
8 ment and equality of competitive opportunity,
9 may impose such restrictions and requirements
10 on the conduct of such activities by such foreign
11 bank or company as are comparable to those
12 imposed on a financial holding company orga-
13 nized under the laws of the United States, in-
14 cluding a requirement to conduct such activities
15 in compliance with any prudential safeguards
16 established under section 5(h) of the Bank
17 Holding Company Act of 1956.”.

18 **SEC. 152. FOREIGN BANKS AND FOREIGN FINANCIAL INSTI-**
19 **TUTIONS THAT ARE WHOLESALE FINANCIAL**
20 **INSTITUTIONS.**

21 Section 8A of the Federal Deposit Insurance Act (as
22 added by section 136(c)(2) of this Act) is amended by add-
23 ing at the end the following new subsection:

24 “(i) **VOLUNTARY TERMINATION OF DEPOSIT INSUR-**
25 **ANCE.**—The provisions on voluntary termination of insur-

1 ance in this section shall apply to an insured branch of
2 a foreign bank (including a Federal branch) in the same
3 manner and to the same extent as they apply to an insured
4 State bank or a national bank.”.

5 **SEC. 153. RECIPROCITY.**

6 (a) NATIONAL TREATMENT REPORTS.—

7 (1) REPORT REQUIRED IN THE EVENT OF CER-
8 TAIN ACQUISITIONS.—

9 (A) IN GENERAL.—Whenever a person
10 from a foreign country announces its intention
11 to acquire or acquires a bank, a securities un-
12 derwriter, broker, or dealer, an investment ad-
13 viser, or insurance company that ranks within
14 the top 50 firms in that line of business in the
15 United States, the Secretary of Commerce
16 shall, within the earlier of 6 months of such an-
17 nouncement or such acquisition and in con-
18 sultation with other appropriate Federal and
19 State agencies, prepare and submit to the Con-
20 gress a report on whether a United States per-
21 son would be able, de facto or de jure, to ac-
22 quire an equivalent sized firm in the country in
23 which such person from a foreign country is lo-
24 cated.

1 (B) ANALYSIS AND RECOMMENDATIONS.—

2 If a report submitted under subparagraph (A)
3 states that the equivalent treatment referred to
4 in such subparagraph, de facto and de jure, is
5 not provided in the country which is the subject
6 of the report, the Secretary of Commerce, in
7 consultation with other appropriate Federal and
8 State agencies, shall include in the report anal-
9 ysis and recommendations as to how that coun-
10 try's laws and regulations would need to be
11 changed so that reciprocal treatment would
12 exist.

13 (2) REPORT REQUIRED BEFORE FINANCIAL
14 SERVICES NEGOTIATIONS COMMENCE.—The Sec-
15 retary of Commerce shall, not less than 6 months
16 before the commencement of the financial services
17 negotiations of the World Trade Organization and in
18 consultation with other appropriate Federal and
19 State agencies, prepare and submit to the Congress
20 a report containing—

21 (A) an assessment of the 30 largest finan-
22 cial services markets with regard to whether re-
23 ciprocal access is available in such markets to
24 United States financial services providers; and

1 (B) with respect to any such financial serv-
2 ices markets in which reciprocal access is not
3 available to United States financial services
4 providers, an analysis and recommendations as
5 to what legislative, regulatory, or enforcement
6 changes would be required to ensure full reci-
7 procity for such providers.

8 (3) PERSON OF A FOREIGN COUNTRY DE-
9 FINED.—For purposes of this subsection, the term
10 “person of a foreign country” means a person, or a
11 person which directly or indirectly owns or controls
12 that person, that is a resident of that country, is or-
13 ganized under the laws of that country, or has its
14 principal place of business in that country.

15 (b) PROVISIONS APPLICABLE TO SUBMISSIONS.—

16 (1) NOTICE.—Before preparing any report re-
17 quired under subsection (a), the Secretary of Com-
18 merce shall publish notice that a report is in prepa-
19 ration and seek comment from United States per-
20 sons.

21 (2) PRIVILEGED SUBMISSIONS.—Upon the re-
22 quest of the submitting person, any comments or re-
23 lated communications received by the Secretary with
24 regard to the report shall, for the purposes of sec-
25 tion 552 of title 5, of the United States Code, be

1 treated as commercial information obtained from a
2 person that is privileged or confidential, regardless
3 of the medium in which the information is obtained.
4 This confidential information shall be the property
5 of the Secretary and shall be privileged from disclo-
6 sure to any other person. However, this privilege
7 shall not be construed as preventing access to that
8 confidential information by the Congress.

9 (3) PROHIBITION OF UNAUTHORIZED DISCLO-
10 SURES.—No person in possession of confidential in-
11 formation, provided under this section may disclose
12 that information, in whole or in part, except for dis-
13 closure made in published statistical material that
14 does not disclose, either directly or when used in
15 conjunction with publicly available information, the
16 confidential information of any person.

17 **Subtitle G—Federal Home Loan**
18 **Bank System Modernization**

19 **SEC. 161. SHORT TITLE.**

20 This subtitle may be cited as the “Federal Home
21 Loan Bank System Modernization Act of 1999”.

22 **SEC. 162. DEFINITIONS.**

23 Section 2 of the Federal Home Loan Bank Act (12
24 U.S.C. 1422) is amended—

1 (1) in paragraph (1), by striking “term ‘Board’
2 means” and inserting “terms ‘Finance Board’ and
3 ‘Board’ mean”;

4 (2) by striking paragraph (3) and inserting the
5 following:

6 “(3) STATE.—The term ‘State’, in addition to
7 the States of the United States, includes the District
8 of Columbia, Guam, Puerto Rico, the United States
9 Virgin Islands, American Samoa, and the Common-
10 wealth of the Northern Mariana Islands.”; and

11 (3) by adding at the end the following new
12 paragraph:

13 “(13) COMMUNITY FINANCIAL INSTITUTION.—

14 “(A) IN GENERAL.—The term ‘community
15 financial institution’ means a member—

16 “(i) the deposits of which are insured
17 under the Federal Deposit Insurance Act;
18 and

19 “(ii) that has, as of the date of the
20 transaction at issue, less than
21 \$500,000,000 in average total assets,
22 based on an average of total assets over
23 the 3 years preceding that date.

24 “(B) ADJUSTMENTS.—The \$500,000,000
25 limit referred to in subparagraph (A)(ii) shall

1 be adjusted annually by the Finance Board,
2 based on the annual percentage increase, if any,
3 in the Consumer Price Index for all urban con-
4 sumers, as published by the Department of
5 Labor.”.

6 **SEC. 163. SAVINGS ASSOCIATION MEMBERSHIP.**

7 Section 5(f) of the Home Owners’ Loan Act (12
8 U.S.C. 1464(f)) is amended to read as follows:

9 “(f) FEDERAL HOME LOAN BANK MEMBERSHIP.—
10 On and after January 1, 1999, a Federal savings associa-
11 tion may become a member of the Federal Home Loan
12 Bank System, and shall qualify for such membership in
13 the manner provided by the Federal Home Loan Bank
14 Act.”.

15 **SEC. 164. ADVANCES TO MEMBERS; COLLATERAL.**

16 (a) IN GENERAL.—Section 10(a) of the Federal
17 Home Loan Bank Act (12 U.S.C. 1430(a)) is amended—

18 (1) by redesignating paragraphs (1) through
19 (4) as subparagraphs (A) through (D), respectively,
20 and indenting appropriately;

21 (2) by striking “(a) Each” and inserting the
22 following:

23 “(a) IN GENERAL.—

24 “(1) ALL ADVANCES.—Each”;

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1 (3) by striking the 2d sentence and inserting
2 the following:

3 “(2) PURPOSES OF ADVANCES.—A long-term
4 advance may only be made for the purposes of—

5 “(A) providing funds to any member for
6 residential housing finance; and

7 “(B) providing funds to any community fi-
8 nancial institution for small business, agricul-
9 tural, rural development, or low-income commu-
10 nity development lending.”;

11 (4) by striking “A Bank” and inserting the fol-
12 lowing:

13 “(3) COLLATERAL.—A Bank”;

14 (5) in paragraph (3) (as so designated by para-
15 graph (4) of this subsection)—

16 (A) in subparagraph (C) (as so redesign-
17 ated by paragraph (1) of this subsection) by
18 striking “Deposits” and inserting “Cash or de-
19 posits”;

20 (B) in subparagraph (D) (as so redesign-
21 ated by paragraph (1) of this subsection), by
22 striking the 2d sentence; and

23 (C) by inserting after subparagraph (D)
24 (as so redesignated by paragraph (1) of this
25 subsection) the following new subparagraph:

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1 “(E) Secured loans for small business, ag-
2 riculture, rural development, or low-income
3 community development, or securities rep-
4 resenting a whole interest in such secured
5 loans, in the case of any community financial
6 institution.”;

7 (6) in paragraph (5)—

8 (A) in the 2d sentence, by striking “and
9 the Board”;

10 (B) in the 3d sentence, by striking
11 “Board” and inserting “Federal home loan
12 bank”; and

13 (C) by striking “(5) Paragraphs (1)
14 through (4)” and inserting the following:

15 “(4) ADDITIONAL BANK AUTHORITY.—Subpara-
16 graphs (A) through (E) of paragraph (3)”;

17 (7) by adding at the end the following:

18 “(5) REVIEW OF CERTAIN COLLATERAL STAND-
19 ARDS.—The Board may review the collateral stand-
20 ards applicable to each Federal home loan bank for
21 the classes of collateral described in subparagraphs
22 (D) and (E) of paragraph (3), and may, if necessary
23 for safety and soundness purposes, require an in-
24 crease in the collateral standards for any or all of
25 those classes of collateral.

1 “(6) DEFINITIONS.—For purposes of this sub-
2 section, the terms ‘small business’, ‘agriculture’,
3 ‘rural development’, and ‘low-income community de-
4 velopment’ shall have the meanings given those
5 terms by rule or regulation of the Finance Board.”.

6 (b) CLERICAL AMENDMENT.—The section heading
7 for section 10 of the Federal Home Loan Bank Act (12
8 U.S.C. 1430) is amended to read as follows:

9 **“SEC. 10. ADVANCES TO MEMBERS.”.**

10 (c) CONFORMING AMENDMENTS RELATING TO MEM-
11 BERS WHICH ARE NOT QUALIFIED THRIFT LENDERS—
12 The 1st of the 2 subsections designated as subsection (e)
13 of section 10 of the Federal Home Loan Bank Act (12
14 U.S.C. 1430(e)(1)) is amended—

15 (1) in the last sentence of paragraph (1), by in-
16 serting “or, in the case of any community financial
17 institution, for the purposes described in subsection
18 (a)(2)” before the period; and

19 (2) in paragraph (5)(C), by inserting “except
20 that, in determining the actual thrift investment per-
21 centage of any community financial institution for
22 purposes of this subsection, the total investment of
23 such member in loans for small business, agri-
24 culture, rural development, or low-income commu-
25 nity development, or securities representing a whole

1 interest in such loans, shall be treated as a qualified
2 thrift investment (as defined in such section 10(m))”
3 before the period.

4 **SEC. 165. ELIGIBILITY CRITERIA.**

5 Section 4(a) of the Federal Home Loan Bank Act
6 (12 U.S.C. 1424(a)) is amended—

7 (1) in paragraph (2)(A), by inserting, “(other
8 than a community financial institution)” after “in-
9 stitution”; and

10 (2) by adding at the end the following new
11 paragraph:

12 “(3) LIMITED EXEMPTION FOR COMMUNITY FI-
13 NANCIAL INSTITUTIONS.—A community financial in-
14 stitution that otherwise meets the requirements of
15 paragraph (2) may become a member without regard
16 to the percentage of its total assets that is rep-
17 resented by residential mortgage loans, as described
18 in subparagraph (A) of paragraph (2).”.

19 **SEC. 166. MANAGEMENT OF BANKS.**

20 (a) BOARD OF DIRECTORS.—Section 7(d) of the Fed-
21 eral Home Loan Bank Act (12 U.S.C. 1427(d)) is
22 amended—

23 (1) by striking “(d) The term” and inserting
24 the following:

25 “(d) TERMS OF OFFICE.—The term”; and

1 (2) by striking “shall be two years”.

2 (b) COMPENSATION.—Section 7(i) of the Federal
3 Home Loan Bank Act (12 U.S.C. 1427(i)) is amended by
4 striking “, subject to the approval of the board”.

5 (c) REPEAL OF SECTIONS 22A AND 27.—The Fed-
6 eral Home Loan Bank Act (12 U.S.C. 1421 et seq.) is
7 amended by striking sections 22A (12 U.S.C. 1442a) and
8 27 (12 U.S.C. 1447).

9 (d) SECTION 12.—Section 12 of the Federal Home
10 Loan Bank Act (12 U.S.C. 1432) is amended—

11 (1) in subsection (a)—

12 (A) by striking “, but, except” and all that
13 follows through “ten years”;

14 (B) by striking “subject to the approval of
15 the Board” the first place that term appears;

16 (C) by striking “and, by its Board of direc-
17 tors,” and all that follows through “agent of
18 such bank,” and inserting “and, by the board
19 of directors of the bank, to prescribe, amend,
20 and repeal by-laws governing the manner in
21 which its affairs may be administered, con-
22 sistent with applicable laws and regulations, as
23 administered by the Finance Board. No officer,
24 employee, attorney, or agent of a Federal home
25 loan bank”; and

1 (D) by striking “Board of directors” where
2 such term appears in the penultimate sentence
3 and inserting “board of directors”; and
4 (2) in subsection (b), by striking “loans banks”
5 and inserting “loan banks”.

6 (e) POWERS AND DUTIES OF FEDERAL HOUSING FI-
7 NANCE BOARD.—

8 (1) ISSUANCE OF NOTICES OF VIOLATIONS.—

9 Section 2B(a) of the Federal Home Loan Bank Act
10 (12 U.S.C. 1422b(a)) is amended by adding at the
11 end the following new paragraphs:

12 “(5) To issue and serve a notice of charges
13 upon a Federal home loan bank or upon any execu-
14 tive officer or director of a Federal home loan bank
15 if, in the determination of the Finance Board, the
16 bank, executive officer, or director is engaging or
17 has engaged in, or the Finance Board has reason-
18 able cause to believe that the bank, executive officer,
19 or director is about to engage in, any conduct that
20 violates any provision of this Act or any law, order,
21 rule, or regulation or any condition imposed in writ-
22 ing by the Finance Board in connection with the
23 granting of any application or other request by the
24 bank, or any written agreement entered into by the
25 bank with the agency, in accordance with the proce-

1 dures provided in section 1371(c) of the Federal
2 Housing Enterprises Financial Safety and Sound-
3 ness Act of 1992. Such authority includes the same
4 authority to take affirmative action to correct condi-
5 tions resulting from violations or practices or to
6 limit activities of a bank or any executive officer or
7 director of a bank as appropriate Federal banking
8 agencies have to take with respect to insured deposi-
9 tory institutions under paragraphs (6) and (7) of
10 section 8(b) of the Federal Deposit Insurance Act,
11 and to have all other powers, rights, and duties to
12 enforce this Act with respect to the Federal home
13 loan banks and their executive officers and directors
14 as the Office of Federal Housing Enterprise Over-
15 sight has to enforce the Federal Housing Enter-
16 prises Financial Safety and Soundness Act of 1992,
17 the Federal National Mortgage Association Charter
18 Act, or the Federal Home Loan Mortgage Corpora-
19 tion Act with respect to the Federal housing enter-
20 prises under the Federal Housing Enterprises Fi-
21 nancial Safety and Soundness Act of 1992.

22 “(6) To address any insufficiencies in capital
23 levels resulting from the application of section 5(f)
24 of the Home Owners’ Loan Act.

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1 “(7) To sue and be sued, by and through its
2 own attorneys.”.

3 (2) TECHNICAL AMENDMENT.—Section 111 of
4 Public Law 93–495 (12 U.S.C. 250) is amended by
5 striking “Federal Home Loan Bank Board,” and in-
6 serting “Director of the Office of Thrift Supervision,
7 “the Federal Housing Finance Board,”.

8 (f) ELIGIBILITY TO SECURE ADVANCES.—

9 (1) SECTION 9.—Section 9 of the Federal
10 Home Loan Bank Act (12 U.S.C. 1429) is
11 amended—

12 (A) in the 2d sentence, by striking “with
13 the approval of the Board”; and

14 (B) in the 3d sentence, by striking “, sub-
15 ject to the approval of the Board,”.

16 (2) SECTION 10.—Section 10 of the Federal
17 Home Loan Bank Act (12 U.S.C. 1430) is
18 amended—

19 (A) in subsection (c)—

20 (i) in the 1st sentence, by striking
21 “Board” and inserting “Federal home loan
22 bank”; and

23 (ii) by striking the 2d sentence;

24 (B) in subsection (d)—

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1 (i) in the 1st sentence, by striking
2 “and the approval of the Board”; and

3 (ii) by striking “Subject to the ap-
4 proval of the Board, any” and inserting
5 “Any”; and

6 (C) in subsection (j)(1)—

7 (i) by striking “to subsidize the inter-
8 est rate on advances” and inserting “to
9 provide subsidies, including subsidized in-
10 terest rates on advances”;

11 (ii) by striking “Pursuant” and in-
12 serting the following:

13 “(A) ESTABLISHMENT.—Pursuant”; and

14 (iii) by adding at the end the fol-
15 lowing new subparagraph:

16 “(B) NONDELEGATION OF APPROVAL AU-
17 THORITY.—Subject to such regulations as the
18 Finance Board may prescribe, the board of di-
19 rectors of each Federal home loan bank may
20 approve or disapprove requests from members
21 for Affordable Housing Program subsidies, and
22 may not delegate such authority.”.

23 (g) SECTION 16.—Section 16(a) of the Federal Home
24 Loan Bank Act (12 U.S.C. 1436(a)) is amended—

25 (1) in the 3d sentence—

1 (A) by striking “net earnings” and insert-
2 ing “previously retained earnings or current net
3 earnings”; and

4 (B) by striking “, and then only with the
5 approval of the Federal Housing Finance
6 Board”; and

7 (2) by striking the 4th sentence.

8 (h) SECTION 18.—Section 18(b) of the Federal Home
9 Loan Bank Act (12 U.S.C. 1438(b)) is amended by strik-
10 ing paragraph (4).

11 **SEC. 167. RESOLUTION FUNDING CORPORATION.**

12 (a) IN GENERAL.—Section 21B(f)(2)(C) of the Fed-
13 eral Home Loan Bank Act (12 U.S.C. 1441b(f)(2)(C)) is
14 amended to read as follows:

15 “(C) PAYMENTS BY FEDERAL HOME LOAN
16 BANKS.—

17 “(i) IN GENERAL.—To the extent that
18 the amounts available pursuant to sub-
19 paragraphs (A) and (B) are insufficient to
20 cover the amount of interest payments,
21 each Federal home loan bank shall pay to
22 the Funding Corporation in each calendar
23 year, 20.75 percent of the net earnings of
24 that bank (after deducting expenses relat-

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1 ing to section 10(j) and operating ex-
2 penses).

3 “(ii) ANNUAL DETERMINATION.—The
4 Board annually shall determine the extent
5 to which the value of the aggregate
6 amounts paid by the Federal home loan
7 banks exceeds or falls short of the value of
8 an annuity of \$300,000,000 per year that
9 commences on the issuance date and ends
10 on the final scheduled maturity date of the
11 obligations, and shall select appropriate
12 present value factors for making such de-
13 terminations.

14 “(iii) PAYMENT TERM ALTER-
15 ATIONS.—The Board shall extend or short-
16 en the term of the payment obligations of
17 a Federal home loan bank under this sub-
18 paragraph as necessary to ensure that the
19 value of all payments made by the banks
20 is equivalent to the value of an annuity re-
21 ferred to in clause (ii).

22 “(iv) TERM BEYOND MATURITY.—If
23 the Board extends the term of payments
24 beyond the final scheduled maturity date
25 for the obligations, each Federal home loan

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1 bank shall continue to pay 20.75 percent
2 of its net earnings (after deducting ex-
3 penses relating to section 10(j) and oper-
4 ating expenses) to the Treasury of the
5 United States until the value of all such
6 payments by the Federal home loan banks
7 is equivalent to the value of an annuity re-
8 ferred to in clause (ii). In the final year in
9 which the Federal home loan banks are re-
10 quired to make any payment to the Treas-
11 ury under this subparagraph, if the dollar
12 amount represented by 20.75 percent of
13 the net earnings of the Federal home loan
14 banks exceeds the remaining obligation of
15 the banks to the Treasury, the Finance
16 Board shall reduce the percentage pro rata
17 to a level sufficient to pay the remaining
18 obligation.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall become effective on January 1, 1999.
21 Payments made by a Federal home loan bank before that
22 effective date shall be counted toward the total obligation
23 of that bank under section 21B(f)(2)(C) of the Federal
24 Home Loan Bank Act, as amended by this section.

1 **SEC. 168. CAPITAL STRUCTURE OF FEDERAL HOME LOAN**

2 **BANKS.**

3 Section 6 of the Federal Home Loan Bank Act (12
4 U.S.C. 1426) is amended to read as follows:

5 **“SEC. 6. CAPITAL STRUCTURE OF FEDERAL HOME LOAN**

6 **BANKS.**

7 “(a) REGULATIONS.—

8 “(1) CAPITAL STANDARDS.—Not later than 1
9 year after the date of enactment of the Financial
10 Services Act of 1999, the Finance Board shall issue
11 regulations prescribing uniform capital standards
12 applicable to each Federal home loan bank, which
13 shall require each such bank to meet—

14 “(A) the leverage requirement specified in
15 paragraph (2); and

16 “(B) the risk-based capital requirements,
17 in accordance with paragraph (3).

18 “(2) LEVERAGE REQUIREMENT.—

19 “(A) IN GENERAL.—The leverage require-
20 ment shall require each Federal home loan
21 bank to maintain a minimum amount of total
22 capital based on the aggregate on-balance sheet
23 assets of the bank and shall be 5 percent.

24 “(B) TREATMENT OF STOCK AND RE-
25 TAINED EARNINGS.—In determining compliance
26 with the minimum leverage ratio established

1 under subparagraph (A), the paid-in value of
2 the outstanding Class B stock shall be multi-
3 plied by 1.5, the paid-in value of the out-
4 standing Class C stock and the amount of re-
5 tained earnings shall be multiplied by 2.0, and
6 such higher amounts shall be deemed to be cap-
7 ital for purposes of meeting the 5 percent min-
8 imum leverage ratio.

9 “(3) RISK-BASED CAPITAL STANDARDS.—

10 “(A) IN GENERAL.—Each Federal home
11 loan bank shall maintain permanent capital in
12 an amount that is sufficient, as determined in
13 accordance with the regulations of the Finance
14 Board, to meet—

15 “(i) the credit risk to which the Fed-
16 eral home loan bank is subject; and

17 “(ii) the market risk, including inter-
18 est rate risk, to which the Federal home
19 loan bank is subject, based on a stress test
20 established by the Finance Board that rig-
21 orously tests for changes in market vari-
22 ables, including changes in interest rates,
23 rate volatility, and changes in the shape of
24 the yield curve.

1 “(B) CONSIDERATION OF OTHER RISK-
2 BASED STANDARDS.—In establishing the risk-
3 based standard under subparagraph (A)(ii), the
4 Finance Board shall take due consideration of
5 any risk-based capital test established pursuant
6 to section 1361 of the Federal Housing Enter-
7 prises Financial Safety and Soundness Act of
8 1992 (12 U.S.C. 4611) for the enterprises (as
9 defined in that Act), with such modifications as
10 the Finance Board determines to be appro-
11 priate to reflect differences in operations be-
12 tween the Federal home loan banks and those
13 enterprises.

14 “(4) OTHER REGULATORY REQUIREMENTS.—
15 The regulations issued by the Finance Board under
16 paragraph (1) shall—

17 “(A) permit each Federal home loan bank
18 to issue, with such rights, terms, and pref-
19 erences, not inconsistent with this Act and the
20 regulations issued hereunder, as the board of
21 directors of that bank may approve, any 1 or
22 more of—

23 “(i) Class A stock, which shall be re-
24 deemable in cash and at par 6 months fol-
25 lowing submission by a member of a writ-

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1 ten notice of its intent to redeem such
2 shares;

3 “(ii) Class B stock, which shall be re-
4 deemable in cash and at par 5 years fol-
5 lowing submission by a member of a writ-
6 ten notice of its intent to redeem such
7 shares; and

8 “(iii) Class C stock, which shall be
9 nonredeemable;

10 “(B) provide that the stock of a Federal
11 home loan bank may be issued to and held by
12 only members of the bank, and that a bank
13 may not issue any stock other than as provided
14 in this section;

15 “(C) prescribe the manner in which stock
16 of a Federal home loan bank may be sold,
17 transferred, redeemed, or repurchased; and

18 “(D) provide the manner of disposition of
19 outstanding stock held by, and the liquidation
20 of any claims of the Federal home loan bank
21 against, an institution that ceases to be a mem-
22 ber of the bank, through merger or otherwise,
23 or that provides notice of intention to withdraw
24 from membership in the bank.

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1 “(5) DEFINITIONS OF CAPITAL.—For purposes
2 of determining compliance with the capital standards
3 established under this subsection—

4 “(A) permanent capital of a Federal home
5 loan bank shall include (as determined in ac-
6 cordance with generally accepted accounting
7 principles)—

8 “(i) the amounts paid for the Class C
9 stock and any other nonredeemable stock
10 approved by the Finance Board;

11 “(ii) the amounts paid for the Class B
12 stock, in an amount not to exceed 1 per-
13 cent of the total assets of the bank; and

14 “(iii) the retained earnings of the
15 bank; and

16 “(B) total capital of a Federal home loan
17 bank shall include—

18 “(i) permanent capital;

19 “(ii) the amounts paid for the Class A
20 stock, Class B stock (excluding any
21 amount treated as permanent capital
22 under subparagraph (5)(A)(ii)), or any
23 other class of redeemable stock approved
24 by the Finance Board;

1 “(iii) consistent with generally accept-
2 ed accounting principles, and subject to the
3 regulation of the Finance Board, a general
4 allowance for losses, which may not include
5 any reserves or allowances made or held
6 against specific assets; and

7 “(iv) any other amounts from sources
8 available to absorb losses incurred by the
9 bank that the Finance Board determines
10 by regulation to be appropriate to include
11 in determining total capital.

12 “(6) TRANSITION PERIOD.—Notwithstanding
13 any other provisions of this Act, the requirements
14 relating to purchase and retention of capital stock of
15 a Federal home loan bank by any member thereof in
16 effect on the day before the date of enactment of the
17 Federal Home Loan Bank System Modernization
18 Act of 1999, shall continue in effect with respect to
19 each Federal home loan bank until the regulations
20 required by this subsection have taken effect and the
21 capital structure plan required by subsection (b) has
22 been approved by the Finance Board and imple-
23 mented by such bank.

24 “(b) CAPITAL STRUCTURE PLAN.—

1 “(1) APPROVAL OF PLANS.—Not later than 270
2 days after the date of publication by the Finance
3 Board of final regulations in accordance with sub-
4 section (a), the board of directors of each Federal
5 home loan bank shall submit for Finance Board ap-
6 proval a plan establishing and implementing a cap-
7 ital structure for such bank that—

8 “(A) the board of directors determines is
9 best suited for the condition and operation of
10 the bank and the interests of the members of
11 the bank;

12 “(B) meets the requirements of subsection
13 (c); and

14 “(C) meets the minimum capital standards
15 and requirements established under subsection
16 (a) and other regulations prescribed by the Fi-
17 nance Board.

18 “(2) APPROVAL OF MODIFICATIONS.—The
19 board of directors of a Federal home loan bank shall
20 submit to the Finance Board for approval any modi-
21 fications that the bank proposes to make to an ap-
22 proved capital structure plan.

23 “(c) CONTENTS OF PLAN.—The capital structure
24 plan of each Federal home loan bank shall contain provi-
25 sions addressing each of the following:

1 “(1) MINIMUM INVESTMENT.—

2 “(A) IN GENERAL.—Each capital structure
3 plan of a Federal home loan bank shall require
4 each member of the bank to maintain a min-
5 imum investment in the stock of the bank, the
6 amount of which shall be determined in a man-
7 ner to be prescribed by the board of directors
8 of each bank and to be included as part of the
9 plan.

10 “(B) INVESTMENT ALTERNATIVES.—

11 “(i) IN GENERAL.—In establishing the
12 minimum investment required for each
13 member under subparagraph (A), a Fed-
14 eral home loan bank may, in its discretion,
15 include any 1 or more of the requirements
16 referred to in clause (ii), or any other pro-
17 visions approved by the Finance Board.

18 “(ii) AUTHORIZED REQUIREMENTS.—

19 A requirement is referred to in this clause
20 if it is a requirement for—

21 “(I) a stock purchase based on a
22 percentage of the total assets of a
23 member; or

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1 “(II) a stock purchase based on a
2 percentage of the outstanding ad-
3 vances from the bank to the member.

4 “(C) MINIMUM AMOUNT.—Each capital
5 structure plan of a Federal home loan bank
6 shall require that the minimum stock invest-
7 ment established for members shall be set at a
8 level that is sufficient for the bank to meet the
9 minimum capital requirements established by
10 the Finance Board under subsection (a).

11 “(D) ADJUSTMENTS TO MINIMUM RE-
12 QUIRED INVESTMENT.—The capital structure
13 plan of each Federal home loan bank shall im-
14 pose a continuing obligation on the board of di-
15 rectors of the bank to review and adjust the
16 minimum investment required of each member
17 of that bank, as necessary to ensure that the
18 bank remains in compliance with applicable
19 minimum capital levels established by the Fi-
20 nance Board, and shall require each member to
21 comply promptly with any adjustments to the
22 required minimum investment.

23 “(2) TRANSITION RULE.—

24 “(A) IN GENERAL.—The capital structure
25 plan of each Federal home loan bank shall

1 specify the date on which it shall take effect,
2 and may provide for a transition period of not
3 longer than 3 years to allow the bank to come
4 into compliance with the capital requirements
5 prescribed under subsection (a), and to allow
6 any institution that was a member of the bank
7 on the date of enactment of the Financial Serv-
8 ices Act of 1999, to come into compliance with
9 the minimum investment required pursuant to
10 the plan.

11 “(B) INTERIM PURCHASE REQUIRE-
12 MENTS.—The capital structure plan of a Fed-
13 eral home loan bank may allow any member re-
14 ferred to in subparagraph (A) that would be re-
15 quired by the terms of the capital structure
16 plan to increase its investment in the stock of
17 the bank to do so in periodic installments dur-
18 ing the transition period.

19 “(3) DISPOSITION OF SHARES.—The capital
20 structure plan of a Federal home loan bank shall
21 provide for the manner of disposition of any stock
22 held by a member of that bank that terminates its
23 membership or that provides notice of its intention
24 to withdraw from membership in that bank.

25 “(4) CLASSES OF STOCK.—

1 “(A) IN GENERAL.—The capital structure
2 plan of a Federal home loan bank shall afford
3 each member of that bank the option of main-
4 taining its required investment in the bank
5 through the purchase of any combination of
6 classes of stock authorized by the board of di-
7 rectors of the bank and approved by the Fi-
8 nance Board in accordance with its regulations.

9 “(B) RIGHTS REQUIREMENT.—A Federal
10 home loan bank shall include in its capital
11 structure plan provisions establishing terms,
12 rights, and preferences, including minimum in-
13 vestment, dividends, voting, and liquidation
14 preferences of each class of stock issued by the
15 bank, consistent with Finance Board regula-
16 tions and market requirements.

17 “(C) REDUCED MINIMUM INVESTMENT.—
18 The capital structure plan of a Federal home
19 loan bank may provide for a reduced minimum
20 stock investment for any member of that bank
21 that elects to purchase Class B, Class C, or any
22 other class of nonredeemable stock, in a manner
23 that is consistent with meeting the minimum
24 capital requirements of the bank, as established
25 by the Finance Board.

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1 “(D) LIQUIDATION OF CLAIMS.—The cap-
2 ital structure plan of a Federal home loan bank
3 shall provide for the liquidation in an orderly
4 manner, as determined by the bank, of any
5 claim of that bank against a member, including
6 claims for any applicable prepayment fees or
7 penalties resulting from prepayment of ad-
8 vances prior to stated maturity.

9 “(5) LIMITED TRANSFERABILITY OF STOCK.—
10 The capital structure plan of a Federal home loan
11 bank shall—

12 “(A) provide that—

13 “(i) any stock issued by that bank
14 shall be available only to, held only by, and
15 tradable only among members of that bank
16 and between that bank and its members;
17 and

18 “(ii) a bank has no obligation to re-
19 purchase its outstanding Class C stock but
20 may do so, provided it is consistent with
21 Finance Board regulations and is at a
22 price that is mutually agreeable to the
23 bank and the member; and

24 “(B) establish standards, criteria, and re-
25 quirements for the issuance, purchase, transfer,

1 retirement, and redemption of stock issued by
2 that bank.

3 “(6) BANK REVIEW OF PLAN.—Before filing a
4 capital structure plan with the Finance Board, each
5 Federal home loan bank shall conduct a review of
6 the plan by—

7 “(A) an independent certified public ac-
8 countant, to ensure, to the extent possible, that
9 implementation of the plan would not result in
10 any write-down of the redeemable bank stock
11 investment of its members; and

12 “(B) at least 1 major credit rating agency,
13 to determine, to the extent possible, whether
14 implementation of the plan would have any ma-
15 terial effect on the credit ratings of the bank.

16 “(d) TERMINATION OF MEMBERSHIP.—

17 “(1) VOLUNTARY WITHDRAWAL.—Any member
18 may withdraw from a Federal home loan bank by
19 providing written notice to the bank of its intent to
20 do so. The applicable stock redemption notice peri-
21 ods shall commence upon receipt of the notice by the
22 bank. Upon the expiration of the applicable notice
23 period for each class of redeemable stock, the mem-
24 ber may surrender such stock to the bank, and shall
25 be entitled to receive in cash the par value of the

1 stock. During the applicable notice periods, the
2 member shall be entitled to dividends and other
3 membership rights commensurate with continuing
4 stock ownership.

5 “(2) INVOLUNTARY WITHDRAWAL.—

6 “(A) IN GENERAL.—The board of directors
7 of a Federal home loan bank may terminate the
8 membership of any institution if, subject to Fi-
9 nance Board regulations, it determines that—

10 “(i) the member has failed to comply
11 with a provision of this Act or any regula-
12 tion prescribed under this Act; or

13 “(ii) the member has been determined
14 to be insolvent, or otherwise subject to the
15 appointment of a conservator, receiver, or
16 other legal custodian, by a State or Fed-
17 eral authority with regulatory and super-
18 visory responsibility for the member.

19 “(B) STOCK DISPOSITION.—An institution,
20 the membership of which is terminated in ac-
21 cordance with subparagraph (A)—

22 “(i) shall surrender redeemable stock
23 to the Federal home loan bank, and shall
24 receive in cash the par value of the stock,

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1 upon the expiration of the applicable notice
2 period under subsection (a)(4)(A);

3 “(ii) shall receive any dividends de-
4 clared on its redeemable stock, during the
5 applicable notice period under subsection
6 (a)(4)(A); and

7 “(iii) shall not be entitled to any other
8 rights or privileges accorded to members
9 after the date of the termination.

10 “(C) COMMENCEMENT OF NOTICE PE-
11 RIOD.—With respect to an institution, the
12 membership of which is terminated in accord-
13 ance with subparagraph (A), the applicable no-
14 tice period under subsection (a)(4) for each
15 class of redeemable stock shall commence on
16 the earlier of—

17 “(i) the date of such termination; or

18 “(ii) the date on which the member
19 has provided notice of its intent to redeem
20 such stock.

21 “(3) LIQUIDATION OF INDEBTEDNESS.—Upon
22 the termination of the membership of an institution
23 for any reason, the outstanding indebtedness of the
24 member to the bank shall be liquidated in an orderly
25 manner, as determined by the bank and, upon the

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1 extinguishment of all such indebtedness, the bank
2 shall return to the member all collateral pledged to
3 secure the indebtedness.

4 “(e) REDEMPTION OF EXCESS STOCK.—

5 “(1) IN GENERAL.—A Federal home loan bank,
6 in its sole discretion, may redeem or repurchase, as
7 appropriate, any shares of Class A or Class B stock
8 issued by the bank and held by a member that are
9 in excess of the minimum stock investment required
10 of that member.

11 “(2) EXCESS STOCK.—Shares of stock held by
12 a member shall not be deemed to be ‘excess stock’
13 for purposes of this subsection by virtue of a mem-
14 ber’s submission of a notice of intent to withdraw
15 from membership or termination of its membership
16 in any other manner.

17 “(3) PRIORITY.—A Federal home loan bank
18 may not redeem any excess Class B stock prior to
19 the end of the 5-year notice period, unless the mem-
20 ber has no Class A stock outstanding that could be
21 redeemed as excess.

22 “(f) IMPAIRMENT OF CAPITAL.—If the Finance
23 Board or the board of directors of a Federal home loan
24 bank determines that the bank has incurred or is likely
25 to incur losses that result in or are expected to result in

1 charges against the capital of the bank, the bank shall
2 not redeem or repurchase any stock of the bank without
3 the prior approval of the Finance Board while such
4 charges are continuing or are expected to continue. In no
5 case may a bank redeem or repurchase any applicable cap-
6 ital stock if, following the redemption, the bank would fail
7 to satisfy any minimum capital requirement.

8 “(g) REJOINING AFTER DIVESTITURE OF ALL
9 SHARES.—

10 “(1) IN GENERAL.—Except as provided in para-
11 graph (2), and notwithstanding any other provision
12 of this Act, an institution that divests all shares of
13 stock in a Federal home loan bank may not, after
14 such divestiture, acquire shares of any Federal home
15 loan bank before the end of the 5-year period begin-
16 ning on the date of the completion of such divesti-
17 ture, unless the divestiture is a consequence of a
18 transfer of membership on an uninterrupted basis
19 between banks.

20 “(2) EXCEPTION FOR WITHDRAWALS FROM
21 MEMBERSHIP BEFORE 1998.—Any institution that
22 withdrew from membership in any Federal home
23 loan bank before December 31, 1997, may acquire
24 shares of a Federal home loan bank at any time

1 after that date, subject to the approval of the Fi-
2 nance Board and the requirements of this Act.

3 “(h) TREATMENT OF RETAINED EARNINGS.—

4 “(1) IN GENERAL.—The holders of the Class C
5 stock of a Federal home loan bank, and any other
6 classes of nonredeemable stock approved by the Fi-
7 nance Board (to the extent provided in the terms
8 thereof), shall own the retained earnings, surplus,
9 undivided profits, and equity reserves, if any, of the
10 bank.

11 “(2) NO NONREDEEMABLE CLASSES OF
12 STOCK.—If a Federal home loan bank has no out-
13 standing Class C or other such nonredeemable stock,
14 then the holders of any other classes of stock of the
15 bank then outstanding shall have ownership in, and
16 a private property right in, the retained earnings,
17 surplus, undivided profits, and equity reserves, if
18 any, of the bank.

19 “(3) EXCEPTION.—Except as specifically pro-
20 vided in this section or through the declaration of a
21 dividend or a capital distribution by a Federal home
22 loan bank, or in the event of liquidation of the bank,
23 a member shall have no right to withdraw or other-
24 wise receive distribution of any portion of the re-
25 tained earnings of the bank.

1 “(4) LIMITATION.—A Federal home loan bank
2 may not make any distribution of its retained earn-
3 ings unless, following such distribution, the bank
4 would continue to meet all applicable capital require-
5 ments.”.

6 **Subtitle H—ATM Fee Reform**

7 **SEC. 171. SHORT TITLE.**

8 This subtitle may be cited as the “ATM Fee Reform
9 Act of 1999”.

10 **SEC. 172. ELECTRONIC FUND TRANSFER FEE DISCLOSURES**

11 **AT ANY HOST ATM.**

12 Section 904(d) of the Electronic Fund Transfer Act
13 (15 U.S.C. 1693b(d)) is amended by adding at the end
14 the following new paragraph:

15 “(3) FEE DISCLOSURES AT AUTOMATED TELL-
16 ER MACHINES.—

17 “(A) IN GENERAL.—The regulations pre-
18 scribed under paragraph (1) shall require any
19 automated teller machine operator who imposes
20 a fee on any consumer for providing host trans-
21 fer services to such consumer to provide notice
22 in accordance with subparagraph (B) to the
23 consumer (at the time the service is provided)
24 of—

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1 “(i) the fact that a fee is imposed by
2 such operator for providing the service;
3 and

4 “(ii) the amount of any such fee.

5 “(B) NOTICE REQUIREMENTS.—

6 “(i) ON THE MACHINE.—The notice
7 required under clause (i) of subparagraph
8 (A) with respect to any fee described in
9 such subparagraph shall be posted in a
10 prominent and conspicuous location on or
11 at the automated teller machine at which
12 the electronic fund transfer is initiated by
13 the consumer; and

14 “(ii) ON THE SCREEN.—The notice
15 required under clauses (i) and (ii) of sub-
16 paragraph (A) with respect to any fee de-
17 scribed in such subparagraph shall appear
18 on the screen of the automated teller ma-
19 chine, or on a paper notice issued from
20 such machine, after the transaction is initi-
21 ated and before the consumer is irrev-
22 ocably committed to completing the trans-
23 action.

24 “(C) PROHIBITION ON FEES NOT PROP-
25 ERLY DISCLOSED AND EXPLICITLY ASSUMED BY

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1 CONSUMER.—No fee may be imposed by any
2 automated teller machine operator in connec-
3 tion with any electronic fund transfer initiated
4 by a consumer for which a notice is required
5 under subparagraph (A), unless—

6 “(i) the consumer receives such notice
7 in accordance with subparagraph (B); and

8 “(ii) the consumer elects to continue
9 in the manner necessary to effect the
10 transaction after receiving such notice.

11 “(D) DEFINITIONS.—For purposes of this
12 paragraph, the following definitions shall apply:

13 “(i) ELECTRONIC FUND TRANSFER.—
14 The term ‘electronic fund transfer’ in-
15 cludes a transaction which involves a
16 balance inquiry initiated by a consumer in
17 the same manner as an electronic fund
18 transfer, whether or not the consumer ini-
19 tiates a transfer of funds in the course of
20 the transaction.

21 “(ii) AUTOMATED TELLER MACHINE
22 OPERATOR.—The term ‘automated teller
23 machine operator’ means any person
24 who—

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1 “(I) operates an automated teller
2 machine at which consumers initiate
3 electronic fund transfers; and

4 “(II) is not the financial institu-
5 tion which holds the account of such
6 consumer from which the transfer is
7 made.

8 “(iii) HOST TRANSFER SERVICES.—
9 The term ‘host transfer services’ means
10 any electronic fund transfer made by an
11 automated teller machine operator in con-
12 nection with a transaction initiated by a
13 consumer at an automated teller machine
14 operated by such operator.”.

15 **SEC. 173. DISCLOSURE OF POSSIBLE FEES TO CONSUMERS**
16 **WHEN ATM CARD IS ISSUED.**

17 Section 905(a) of the Electronic Fund Transfer Act
18 (15 U.S.C. 1693c(a)) is amended—

19 (1) by striking “and” at the end of paragraph
20 (8);

21 (2) by striking the period at the end of para-
22 graph (9) and inserting “; and”; and

23 (3) by inserting after paragraph (9) the fol-
24 lowing new paragraph:

1 “(10) a notice to the consumer that a fee may
2 be imposed by—

3 “(A) an automated teller machine operator
4 (as defined in section 904(d)(3)(D)(ii)) if the
5 consumer initiates a transfer from an auto-
6 mated teller machine which is not operated by
7 the person issuing the card or other means of
8 access; and

9 “(B) any national, regional, or local net-
10 work utilized to effect the transaction.”.

11 **SEC. 174. FEASIBILITY STUDY.**

12 (a) IN GENERAL.—The Comptroller General of the
13 United States shall conduct a study of the feasibility of
14 requiring, in connection with any electronic fund transfer
15 initiated by a consumer through the use of an automated
16 teller machine—

17 (1) a notice to be provided to the consumer be-
18 fore the consumer is irrevocably committed to com-
19 pleting the transaction, which clearly states the
20 amount of any fee which will be imposed upon the
21 consummation of the transaction by—

22 (A) any automated teller machine operator
23 (as defined in section 904(d)(2)(D)(ii) of the
24 Electronic Fund Transfer Act) involved in the
25 transaction;

1 (B) the financial institution holding the ac-
2 count of the consumer;

3 (C) any national, regional, or local network
4 utilized to effect the transaction; and

5 (D) any other party involved in the trans-
6 fer; and

7 (2) the consumer to elect to consummate the
8 transaction after receiving the notice described in
9 paragraph (1).

10 (b) FACTORS TO BE CONSIDERED.—In conducting
11 the study required under subsection (a) with regard to the
12 notice requirement described in such subsection, the
13 Comptroller General shall consider the following factors:

14 (1) The availability of appropriate technology.

15 (2) Implementation and operating costs.

16 (3) The competitive impact any such notice re-
17 quirement would have on various sizes and types of
18 institutions, if implemented.

19 (4) The period of time which would be reason-
20 able for implementing any such notice requirement.

21 (5) The extent to which consumers would ben-
22 efit from any such notice requirement.

23 (6) Any other factor the Comptroller General
24 determines to be appropriate in analyzing the feasi-
25 bility of imposing any such notice requirement.

1 (c) REPORT TO THE CONGRESS.—Before the end of
2 the 6-month period beginning on the date of the enact-
3 ment of this Act, the Comptroller General shall submit
4 a report to the Congress containing—

5 (1) the findings and conclusions of the Comp-
6 troller General in connection with the study required
7 under subsection (a); and

8 (2) the recommendation of the Comptroller
9 General with regard to the question of whether a no-
10 tice requirement described in subsection (a) should
11 be implemented and, if so, how such requirement
12 should be implemented.

13 **SEC. 175. NO LIABILITY IF POSTED NOTICES ARE DAM-**
14 **AGED.**

15 Section 910 of the Electronic Fund Transfer Act (15
16 U.S.C 1693h) is amended by adding at the end the fol-
17 lowing new subsection:

18 “(d) EXCEPTION FOR DAMAGED NOTICES.—If the
19 notice required to be posted pursuant to section
20 904(d)(3)(B)(i) by an automated teller machine operator
21 has been posted by such operator in compliance with such
22 section and the notice is subsequently removed, damaged,
23 or altered by any person other than the operator of the
24 automated teller machine, the operator shall have no li-

1 ability under this section for failure to comply with section
2 904(d)(3)(B)(i).”.

3 **SEC. 176. EFFECTIVE DATE.**

4 The amendments made by this subtitle shall take ef-
5 fect at the end of the 270-day period beginning on the
6 date of the enactment of this Act.

7 **Subtitle I—Direct Activities of**
8 **Banks**

9 **SEC. 181. AUTHORITY OF NATIONAL BANKS TO UNDER-**
10 **WRITE CERTAIN MUNICIPAL BONDS.**

11 The paragraph designated the Seventh of section
12 5136 of the Revised Statutes of the United States (12
13 U.S.C. 24(7)) is amended by adding at the end the fol-
14 lowing new sentence: “In addition to the provisions in this
15 paragraph for dealing in, underwriting or purchasing secu-
16 rities, the limitations and restrictions contained in this
17 paragraph as to dealing in, underwriting, and purchasing
18 investment securities for the national bank’s own account
19 shall not apply to obligations (including limited obligation
20 bonds, revenue bonds, and obligations that satisfy the re-
21 quirements of section 142(b)(1) of the Internal Revenue
22 Code of 1986) issued by or on behalf of any state or polit-
23 ical subdivision of a state, including any municipal cor-
24 porate instrumentality of 1 or more states, or any public
25 agency or authority of any state or political subdivision

1 of a state, if the national banking association is well cap-
2 italized (as defined in section 38 of the Federal Deposit
3 Insurance Act).”.

4 **Subtitle J—Deposit Insurance**
5 **Funds**

6 **SEC. 186. STUDY OF SAFETY AND SOUNDNESS OF FUNDS.**

7 (a) STUDY REQUIRED.—The Board of Directors of
8 the Federal Deposit Insurance Corporation shall conduct
9 a study of the following issues with regard to the Bank
10 Insurance Fund and the Savings Association Insurance
11 Fund:

12 (1) SAFETY AND SOUNDNESS.—The safety and
13 soundness of the funds and the adequacy of the re-
14 serve requirements applicable to the funds in light
15 of—

16 (A) the size of the insured depository insti-
17 tutions which are resulting from mergers and
18 consolidations since the effective date of the
19 Riegle-Neal Interstate Banking and Branching
20 Efficiency Act of 1994; and

21 (B) the affiliation of insured depository in-
22 stitutions with other financial institutions pur-
23 suant to this Act and the amendments made by
24 this Act.

1 (2) CONCENTRATION LEVELS.—The concentra-
2 tion levels of the funds, taking into account the
3 number of members of each fund and the geographic
4 distribution of such members, and the extent to
5 which either fund is exposed to higher risks due to
6 a regional concentration of members or an insuffi-
7 cient membership base relative to the size of member
8 institutions.

9 (3) MERGER ISSUES.—Issues relating to the
10 planned merger of the funds, including the cost of
11 merging the funds and the manner in which such
12 costs will be distributed among the members of the
13 respective funds.

14 (b) REPORT REQUIRED.—

15 (1) IN GENERAL.—Before the end of the 9-
16 month period beginning on the date of the enact-
17 ment of this Act, the Board of Directors of the Fed-
18 eral Deposit Insurance Corporation shall submit a
19 report to the Congress on the study conducted pur-
20 suant to subsection (a).

21 (2) CONTENTS OF REPORT.—The report shall
22 include—

23 (A) detailed findings of the Board of Di-
24 rectors with regard to the issues described in
25 subsection (a);

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1 (B) a description of the plans developed by
2 the Board of Directors for merging the Bank
3 Insurance Fund and the Savings Association
4 Insurance Fund, including an estimate of the
5 amount of the cost of such merger which would
6 be borne by Savings Association Insurance
7 Fund members; and

8 (C) such recommendations for legislative
9 and administrative action as the Board of Di-
10 rectors determines to be necessary or appro-
11 priate to preserve the safety and soundness of
12 the deposit insurance funds, reduce the risks to
13 such funds, provide for an efficient merger of
14 such funds, and for other purposes.

15 (c) DEFINITIONS.—For purposes of this section, the
16 following definitions shall apply:

17 (1) INSURED DEPOSITORY INSTITUTION.—The
18 term “insured depository institution” has the same
19 meaning as in section 3(c) of the Federal Deposit
20 Insurance Act.

21 (2) BIF AND SAIF MEMBERS.—The terms
22 “Bank Insurance Fund member” and “Savings As-
23 sociation Insurance Fund member” have the same
24 meanings as in section 7(l) of the Federal Deposit
25 Insurance Act.

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1 **SEC. 187. ELIMINATION OF SAIF AND DIF SPECIAL RE-**
2 **SERVES.**

3 (a) SAIF SPECIAL RESERVES.—Section 11(a)(6) of
4 the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(6))
5 is amended by striking subparagraph (L).

6 (b) DIF SPECIAL RESERVES.—Section 2704 of the
7 Deposit Insurance Funds Act of 1996 (12 U.S.C. 1821
8 note) is amended—

9 (1) by striking subsection (b); and

10 (2) in subsection (d)—

11 (A) by striking paragraph (4);

12 (B) in paragraph (6)(C)(i), by striking
13 “(6) and (7)” and inserting “(5), (6), and (7)”;
14 and

15 (C) in paragraph (6)(C), by striking clause
16 (ii) and inserting the following:

17 “(ii) by redesignating paragraph (8)
18 as paragraph (5).”.

19 **Subtitle K—Miscellaneous**
20 **Provisions**

21 **SEC. 191. TERMINATION OF “KNOW YOUR CUSTOMER” REG-**
22 **ULATIONS.**

23 (a) IN GENERAL.—None of the proposed regulations
24 described in subsection (b) may be published in final form
25 and, to the extent any such regulation has become effec-

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1 tive before the date of the enactment of this Act, such
2 regulation shall cease to be effective as of such date.

3 (b) PROPOSED REGULATIONS DESCRIBED.—The
4 proposed regulations referred to in subsection (a) are as
5 follows:

6 (1) The regulation proposed by the Comptroller
7 of the Currency to amend part 21 of title 12 of the
8 Code of Federal Regulations, as published in the
9 Federal Register on December 7, 1998.

10 (2) The regulation proposed by the Director of
11 the Office of Thrift Supervision to amend part 563
12 of title 12 of the Code of Federal Regulations, as
13 published in the Federal Register on December 7,
14 1998.

15 (3) The regulation proposed by the Board of
16 Governors of the Federal Reserve System to amend
17 parts 208, 211, and 225 of title 12 of the Code of
18 Federal Regulations, as published in the Federal
19 Register on December 7, 1998.

20 (4) The regulation proposed by the Federal De-
21 posit Insurance Corporation to amend part 326 of
22 title 12 of the Code of Federal Regulations, as pub-
23 lished in the Federal Register on December 7, 1998.

1 **SEC. 192. CLARIFICATION OF SOURCE OF STRENGTH DOC-**
2 **TRINE.**

3 Section 18 of the Federal Deposit Insurance Act (12
4 U.S.C. 1828) is amended by adding at the end the fol-
5 lowing new subsection:

6 “(t) LIMITATION ON CLAIMS.—

7 “(1) IN GENERAL.—Notwithstanding any other
8 provision of law, no person shall have any claim
9 against any Federal banking agency, in any capac-
10 ity, or against any conservator or receiver appointed
11 by any Federal banking agency (including the Cor-
12 poration as conservator or receiver), arising from or
13 relating to the transfer of money, assets, or other
14 property to a depository institution by a controlling
15 stockholder or a depository institution holding com-
16 pany, or any affiliate or subsidiary of such deposi-
17 tory institution holding company, if, at the time of
18 the transfer, the depository institution—

19 “(A) is subject to a direction by a Federal
20 banking agency to increase its capital; or

21 “(B) is undercapitalized, significantly
22 undercapitalized, or critically undercapitalized
23 as defined in section 38.

24 “(2) EXCEPTION.—No provision of this sub-
25 section shall be construed as limiting the right of a
26 depository institution, a controlling stockholder, or a

1 depository institution holding company to seek direct
2 review of an order or directive issued by a Federal
3 banking agency in accordance with the procedures
4 provided by this Act, the National Bank Receiver-
5 ship Act, the Bank Conservation Act, or the Home
6 Owner's Loan Act.''.
7

8 **SEC. 193. STUDY AND REPORT ON ADAPTING EXISTING**
9 **LEGISLATIVE REQUIREMENTS TO ONLINE**
10 **BANKING AND LENDING.**

11 (a) STUDY REQUIRED.—The Federal banking agen-
12 cies shall conduct a study of banking regulations regard-
13 ing the delivery of financial services, including those regu-
14 lations that may assume that there will be person-to-per-
15 son contact during the course of a financial services trans-
16 action, and report their recommendations on adapting
17 those existing requirements to online banking and lending.

18 (b) REPORT REQUIRED.—Within 1 year of the date
19 of the enactment of this Act, the Federal banking agencies
20 shall submit a report to the Congress on the findings and
21 conclusions of the agencies with respect to the study re-
22 quired under subsection (a), together with such rec-
23 ommendations for legislative or regulatory action as the
24 agencies may determine to be appropriate.

25 (c) DEFINITION.—For purposes of this section, the
term “Federal banking agencies” means each Federal

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- 1 banking agency (as defined in section 3(z) of the Federal
- 2 Deposit Insurance Act).